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Province of British Columbia

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# public accounts

## 1984-85

VOLUME III—TRUST FUNDS, CROWN CORPORATIONS  
AND AGENCIES

Ministry of Finance



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Province of British Columbia

# Public Accounts of British Columbia

For the fiscal year ended March 31  
1985

**VOLUME III—TRUST FUNDS, CROWN CORPORATIONS  
AND AGENCIES**

HON. HUGH A. CURTIS  
*Minister of Finance*

UNIVERSITY OF ALBERTA

AUG - 5 1986

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## BRITISH COLUMBIA ASSESSMENT AUTHORITY



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

## AUDITOR'S REPORT

To the Chairman and Members of the Board of Directors of the  
British Columbia Assessment Authority, and

To the Minister of Finance  
Province of British Columbia:

I have examined the balance sheet of the British Columbia Assessment Authority as at 31 December 1984 and the statements of revenue, expenditure and equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 December 1984 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for employees' past benefits as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General


Victoria, British Columbia  
15 March 1985

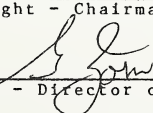
BRITISH COLUMBIA ASSESSMENT AUTHORITY  
BALANCE SHEET  
AS AT DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
ASSETS		
Current Assets		
Cash and temporary investments	\$3,679,414	\$3,123,221
Accounts receivable	184,780	404,092
Prepaid expenses	<u>208,193</u>	<u>243,018</u>
	4,072,387	3,770,331
Fixed Assets (Note 4)		
Land, building, equipment & vehicles	3,076,528	3,029,721
Less accumulated depreciation	<u>2,345,834</u>	<u>2,183,311</u>
	730,694	846,410
	<u>\$4,803,081</u>	<u>\$4,616,741</u>
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$2,783,589	\$2,484,995
Current portion of long-term liabilities	<u>28,303</u>	<u>49,854</u>
	2,811,892	2,534,849
Long-Term Liabilities		
Employees' past benefits (Note 3)	719,081	758,926
Less current portion	<u>28,303</u>	<u>49,854</u>
	690,778	709,072
	3,502,670	3,243,921
Equity		
Equity in fixed assets	730,694	846,410
Surplus from operations	<u>569,717</u>	<u>526,410</u>
	1,300,411	1,372,820
	<u>\$4,803,081</u>	<u>\$4,616,741</u>

The accompanying eight notes are an integral part of these financial statements.

Approved by the Authority

  
L.E. Wight - Chairman of the Board

  
G. Zorn - Director of Finance

BRITISH COLUMBIA ASSESSMENT AUTHORITY  
STATEMENT OF REVENUE, EXPENDITURE AND EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
REVENUE		
Province of British Columbia grant (Note 5)	\$ 7,850,000	\$ 8,397,000
Tax levies (Note 6)	25,132,534	24,882,332
Interest earned	629,622	500,039
Other	<u>920,865</u>	<u>818,646</u>
	<u>34,533,021</u>	<u>34,598,017</u>
EXPENDITURE		
Salaries and fringe benefits	25,597,753	25,375,814
Directors' fees and expenses	37,421	50,880
Accommodation	2,014,039	1,996,315
Travel	1,232,633	1,246,059
Office	1,924,807	1,852,223
Interest expense (Note 7)	267,538	361,994
Professional and special services	3,263,898	2,982,431
Depreciation	<u>267,341</u>	<u>267,165</u>
	<u>34,605,430</u>	<u>34,132,881</u>
EXCESS OF EXPENDITURE OVER REVENUE (1983: REVENUE OVER EXPENDITURE)	[ <u>72,409</u> ]	<u>465,136</u>
EQUITY-Beginning of year as previously reported	2,131,746	1,756,638
-Adjustment for employee benefits (Note 3)	[ <u>758,926</u> ]	[ <u>848,954</u> ]
-As restated	<u>1,372,820</u>	<u>907,684</u>
EQUITY - END OF YEAR	\$ <u><u>1,300,411</u></u>	\$ <u><u>1,372,820</u></u>



BRITISH COLUMBIA ASSESSMENT AUTHORITY  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
Sources of funds:		
From operations (deficit)	\$[ 72,409]	\$ 465,136
Adjustments: Items not involving current funds:		
Depreciation expense	267,341	267,165
Gain on disposal of fixed assets	[ 16,532]	[ 30,100]
	<u>178,400</u>	<u>702,201</u>
Sale of fixed assets	<u>16,532</u>	<u>30,100</u>
	<u>194,932</u>	<u>732,301</u>
Uses of funds:		
Purchase of fixed assets	151,625	222,464
Decrease in long-term liabilities	<u>18,294</u>	<u>49,505</u>
	<u>169,919</u>	<u>271,969</u>
Net increase in working capital	25,013	460,332
Working capital at beginning of year	<u>1,235,482</u>	<u>775,150</u>
Working capital at end of year	<u><u>\$1,260,495</u></u>	<u><u>\$1,235,482</u></u>
Working capital:		
Current assets	\$4,072,387	\$3,770,331
Current liabilities	<u>2,811,892</u>	<u>2,534,849</u>
	<u><u>\$1,260,495</u></u>	<u><u>\$1,235,482</u></u>

BRITISH COLUMBIA ASSESSMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

1. THE AUTHORITY

The purpose of the Authority is to establish and maintain assessments that are uniform in the whole of the Province in accordance with the Assessment Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

(a) Fixed assets

Fixed assets are stated at cost. Depreciation is provided on a straight line basis using the following annual rates:

Building	5%
Furniture and equipment	20%
Motor vehicles	20%

(b) Employees' past benefits

At the time of the formation of the British Columbia Assessment Authority, the Authority negotiated an agreement with those designated employees whose previous working agreements contained clauses which called for payment of certain benefits upon death, retirement or termination of employment. The benefits are recognized as a long term liability, with an amount equal to payments due within the immediate twelve months following the statement date segregated and recognized as a current liability. Adjustments to the liability resulting from changes in salary rates are charged to the current year. Payments of benefits are treated as a reduction of the liability.

(c) Tax levy revenue

Recognition of tax levy revenues is consistent with the provisions of Section 16(3) of the Assessment Authority Act. Tax levy revenue of the Authority is recognized at the time the taxes are levied and collected by the municipality or the Minister of Finance, as applicable.

BRITISH COLUMBIA ASSESSMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

### 3. CHANGE IN ACCOUNTING POLICY

In 1983 and prior years employees' past benefits were recognized as an appropriation of surplus, with entitlements recognized as expenditures in the year of payment. They are now recognized as described in Note 2(b). This change has been applied retroactively and the comparative figures for 1983 have been restated. The effect of the change is to decrease the Excess of Expenditure over Revenue by \$39,844. (1983: increase the Excess of Revenue over Expenditure by \$90,028).

### 4. FIXED ASSETS

	1984			1983
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 178,000	\$ -	\$178,000	\$178,000
Building	223,249	102,867	120,382	131,544
Furniture & equipment	1,837,005	1,669,801	167,204	221,078
Motor vehicles	838,274	573,166	265,108	315,788
	<u>\$3,076,528</u>	<u>\$2,345,834</u>	<u>\$730,694</u>	<u>\$846,410</u>

### 5. PROVINCE OF BRITISH COLUMBIA GRANT

The Authority, under Section 15 of the Assessment Authority Act is entitled to receive from the Province of British Columbia an operating grant determined by multiplying the Authority's operating costs for its immediately preceding fiscal year by a percentage fixed by order of the Lieutenant-Governor in Council.

BRITISH COLUMBIA ASSESSMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

## 6. TAX LEVIES

The Authority by by-law, and subject to the prior approval of the Lieutenant-Governor in Council, each year imposes and levies a tax upon all taxable property in the Province. A copy of this by-law is forwarded to the Tax Collector of every municipality in the Province and to the Surveyor of Taxes so that the taxes so levied will be placed on the tax rolls. The proceeds of the taxes so levied and collected by the municipalities or the Minister of Finance constitute the Authority's tax levies revenue.

Under Section 15(4) of the Assessment Authority Act the Authority's annual tax levies are to be "at a rate sufficient to maintain the operating fund." The operating fund is defined under Section 15(3) as "the total amount required to meet the annual operating and capital expenses of the Authority." Section 15(4) further specifies that in determining the rate of taxation to be levied "the Authority shall take into account the amount of the annual operating grant."

Based on the above, there was levied on all taxable property in the Province, except on the property of the British Columbia Hydro and Power Authority, a tax on each class of property at a rate as set out below:

Class of Property Prescribed under Section 26 of the Assessment Act	Rate of Tax Applied Against each \$1,000 of Net Taxable Value of Property
Class 1 Residential	\$0.1420
2 Utilities	0.4970
3 Forestry	0.5680
4 Machinery and Equipment	0.3976
5 Industrial	0.4828
6 Business and Other	0.3479
7 Tree Farm	1.1360
8 Seasonal resort, recreational property and fraternal organizations	0.1420
9 Farm	0.1420

The same effective rate of tax by property class was levied in 1983.

BRITISH COLUMBIA ASSESSMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

7. FINANCING

Under Section 16(4) of the Assessment Authority Act, the Authority may "pending receipt of the proceeds of the taxes, borrow an amount not exceeding the proceeds of the taxes...and the loan shall be repaid from the proceeds of the taxes."

The maximum borrowings by the Authority outstanding at any time throughout the year were \$10,235,000 in 1984 (1983: \$12,926,666).

8. COMMITMENTS

The Authority is committed to make the following payments on buildings, equipment and motor vehicles leased for periods of more than one year:

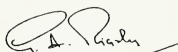
1985 -	\$1,718,435
1986 -	1,191,906
1987 -	978,731
1988 -	740,060
1989 -	601,101
1990 -	<u>64,476</u>
	<u>\$5,294,709</u>

**BRITISH COLUMBIA BUILDINGS CORPORATION****Balance Sheet**

	<b>March 31</b>	
	<b>1985</b>	<b>1984</b>
	<b>\$000's</b>	
<b>Assets</b>		
Real estate investments		
Income-producing properties (Note 2)	<b>517,597</b>	515,904
Income-producing properties under construction (Note 3)	<b>23,869</b>	37,953
Land held for and under development (Note 4)	<b>17,960</b>	17,292
	<b>559,426</b>	571,149
Investment in British Columbia Place Ltd. (Note 5)	<b>205,000</b>	205,000
Corporate properties and equipment (Note 6)	<b>8,979</b>	9,694
Unamortized debt discount and issue expenses	<b>28,723</b>	36,186
Other assets (Note 7)	<b>19,833</b>	32,740
	<b>821,961</b>	854,769
<b>Liabilities and Equity</b>		
Long-term debt (Note 8)	<b>555,242</b>	489,719
Notes payable to the Province of British Columbia (Note 9)	<b>67,543</b>	130,667
Short-term debt (Note 10)	<b>48,488</b>	79,643
Other liabilities (Note 11)	<b>45,405</b>	49,546
Contributions by the Province of British Columbia (Note 12)	<b>62,516</b>	62,427
Retained earnings	<b>42,767</b>	42,767
	<b>821,961</b>	854,769
Commitments (Note 13)		

On Behalf of the Board:

George A. Rigby, Director



Dennis F. Truss, Director

*The accompanying notes are an integral part of these statements***Auditors' Report**To the Lieutenant-Governor-in-Council  
Province of British Columbia

We have examined the balance sheet of British Columbia Buildings Corporation as at March 31, 1985 and the statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Buildings Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada  
May 10, 1985*Peat, Marwick, Mitchell & Co.*

CHARTERED ACCOUNTANTS



## Statement of Income

	Year ended March 31	
	1985	1984
	\$000's	
<b>Revenue</b>		
Rentals	216,414	217,084
Other income	17,907	9,975
	<u>234,321</u>	<u>227,059</u>
<b>Expenses</b>		
Property management	58,717	56,912
Leases	44,508	45,181
Depreciation and amortization	26,099	25,264
Energy	16,777	16,070
Property taxes and grants	10,758	9,515
General and administrative	10,043	9,021
	<u>166,902</u>	<u>161,963</u>
Net income before interest	67,419	65,096
Interest (Note 14)	63,015	56,584
<b>Net Income</b>	<u>4,404</u>	<u>8,512</u>

## Statement of Retained Earnings

	Year ended March 31	
	1985	1984
	\$000's	
Balance, beginning of year	42,767	34,255
Net income	4,404	8,512
	<u>47,171</u>	<u>42,767</u>
Dividend	4,404	—
Balance, end of year	<u>42,767</u>	<u>42,767</u>

The accompanying notes are an integral part of these statements.

## Statement of Changes in Financial Position

## Financial Resources Provided By:

	Year ended March 31	
	1985	1984
	\$000's	
Operations		
Net income	4,404	8,512
Charges not requiring current cash outlay		
Depreciation and amortization	36,515	33,387
Cash flow from operations	40,919	41,899
Long-term debt	76,662	19,250
Increase (decrease) in Contributions by the Province	89	(673)
Short-term debt	—	27,825
Decrease (increase) in other assets, net	11,092	(9,861)
	<u>128,762</u>	<u>78,440</u>

## Financial Resources Used For:

Real estate investments	13,081	65,186
Reduction of notes payable to the Province	63,124	11,121
Reduction of short-term debt	31,155	—
Sinking funds	7,777	6,442
Reduction of long-term debt	4,500	—
Dividend	4,404	—
Corporate properties and equipment, net	580	782
Decrease (increase) in other liabilities	4,141	(5,091)
	<u>128,762</u>	<u>78,440</u>

The accompanying notes are an integral part of these statements.

# Notes to the Financial Statements

March 31, 1985

## 1. Accounting Policies

### (a) Capitalization of Costs

Real estate investments and corporate properties and equipment are recorded at cost less accumulated depreciation or amortization. In addition to land and direct development and construction costs, amounts capitalized as real estate investments include interest, property taxes, carrying and other related costs and the applicable portion of general and administrative expenses.

### (b) Recognition of Revenue

The Corporation recognizes property income on a project basis at the earlier of 70% of occupancy or substantial completion. Prior to this date, any revenue earned on a property is deducted from the cost of construction.

### (c) General Borrowings and Related Interest Charges

The interest on general borrowings attributable to income-producing properties under construction and land held for and under development is added to the cost of these assets, and the interest on general borrowings attributable to all other assets is expensed in the period to which it relates.

### (d) Depreciation and Amortization

Real estate investments and corporate properties and equipment are depreciated or amortized on an individual basis by the straight-line method over their estimated useful lives or lease terms. The Corporation does not anticipate any salvage or residual values in setting its depreciation rates. Depreciation is prorated by month in the year of acquisition or disposal.

The estimated useful lives or lease terms of income-producing and corporate properties are between five and forty years. The estimated useful lives of all other assets are between three and ten years.

### (e) Income Taxes

The Corporation is exempt from Federal and Provincial income taxes.

### (f) Sinking Funds

Payments made to sinking funds with respect to retirement provisions of sinking fund bonds and debentures are netted against long-term debt until such time as the bonds or debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

### (g) Amortization of Debt Discount and Issue Expenses

Debt discount is amortized by the effective rate of interest method and issue expenses are amortized on a straight-line basis, both over the terms of the applicable debt.

### (h) Foreign Exchange

Monetary liabilities in foreign currencies are translated at the rate in effect at the balance sheet date unless covered by forward exchange contracts, in which case they are translated at contract rates. The related interest expense is translated at average rates for the year. Unrealized foreign currency gains or losses on long term monetary liabilities are reported as a deferred charge or credit and amortized over the remaining terms of the related liabilities on a straight line basis.

## 2. Income-Producing Properties

	1985	1984
	\$000's	
Net book value:		
Cost	645,835	624,004
Accumulated depreciation	(128,238)	(108,100)
	<u>517,597</u>	<u>515,904</u>
Activity:		
Net book value, beginning of year	515,904	457,247
Acquisitions (disposals), net	(7,888)	10,201
Properties transferred from income-producing properties under construction	34,385	72,405
Depreciation expense	(24,804)	(23,949)
Net book value, end of year	<u>517,597</u>	<u>515,904</u>

## 3. Income-Producing Properties Under Construction

Balance, beginning of year	37,953	56,801
Direct development and construction costs	16,279	46,892
Capitalization of interest	2,280	3,184
Capitalization of general and administrative expenses	1,742	3,481
Cost of properties completed and transferred to income-producing properties	(34,385)	(72,405)
Balance, end of year	<u>23,869</u>	<u>37,953</u>

## 4. Land Held For and Under Development

Balance, beginning of year	17,292	15,472
Capitalization of interest and property tax	1,499	1,540
Acquisitions (disposals), net	(831)	280
Balance, end of year	<u>17,960</u>	<u>17,292</u>

# Notes to the Financial Statements

March 31, 1985

## 5. Investment in British Columbia Place Ltd.

The Corporation owns the only outstanding share of British Columbia Place Ltd. (B.C. Place) and has an equity investment of \$205 million in that company. B.C. Place is a British Columbia crown corporation which is developing a major site at False Creek in Vancouver, including B.C. Place Stadium and the site leased for Expo '86. Its summary financial statements are as follows:

### British Columbia Place Ltd. Balance Sheet

	March 31	
	1985	1984
	\$000's	
<b>Assets</b>		
Land and site services	134,397	133,459
Stadium	162,523	135,031
B.C. Pavilion and Roundhouse	19,154	728
Other assets	8,501	17,633
	<u>324,575</u>	<u>286,851</u>
<b>Liabilities and Equity</b>		
Accounts payable and accrued liabilities	17,654	18,309
Long-term debt	105,972	63,704
Equity investment by shareholder, British Columbia Buildings Corporation	205,000	205,000
Deficit	(4,051)	(162)
	<u>324,575</u>	<u>286,851</u>

### Statement of Operations

	Year ended March 31	
	1985	1984
	\$000's	
Land lease revenue	693	—
Cost of land lease	1,674	—
Other expenses	830	—
	<u>2,504</u>	<u>—</u>
Loss from land operations	1,811	—
Loss from stadium operations	2,078	162
Loss for the year	<u>3,889</u>	<u>162</u>

The accounting policies of B.C. Place are consistent with those of the Corporation except for depreciation of certain Stadium assets costing \$102 million which is on the sinking fund method.

Under the British Columbia Place Act, the rights of the shareholder of B.C. Place are exercisable by the Minister of Finance for British Columbia and, accordingly, the investment is accounted for in the Corporation's accounts at cost. Any future dividends declared by B.C. Place will accrue to the Corporation and will be included in income.

## 6. Corporate Properties and Equipment

	1985	1984
	\$000's	
Cost:		
Office and data processing equipment	7,431	6,451
Corporate properties and leasehold improvements	2,969	4,484
Maintenance equipment	2,127	1,963
Vehicles	1,819	1,601
	<u>14,346</u>	<u>14,499</u>
Accumulated depreciation and amortization	(5,367)	(4,805)
	<u>8,979</u>	<u>9,694</u>

## 7. Other Assets

Temporary investments	5,000	5,000
Accounts receivable		
- Province of British Columbia	10,141	24,063
- Other	2,455	2,423
Deferred foreign exchange loss	1,842	858
Prepaid expenses	395	396
	<u>19,833</u>	<u>32,740</u>

**8. Long-Term Debt**

Total outstanding:

	1985			1984		
	Number of Series	Average Effective Interest Rate	Principal \$000's	Number of Series	Average Effective Interest Rate	Principal \$000's
Payable in Canadian currency	28	13.34%	<b>541,241</b>	26	13.44%	470,741
Payable in United States currency (US \$32,000,000)	2	13.03%	<b>43,635</b>	2	13.03%	40,835
			<b>584,876</b>			511,576
Sinking funds on deposit with the Minister of Finance for British Columbia, relating to long-term debt of \$243,041,000 (1984- \$243,041,000)			<b>(29,634)</b>			(21,857)
			<b>555,242</b>			489,719

Coupon rates on the long-term debt range from 4.75% to 15.69%.

At the option of the Minister of Finance for Canada, Sinking Fund Debentures with an aggregate principal of \$165,041,000 maturing between 1997 and 2003 may be called prior to maturity under certain conditions on six months written notice.

Of the long-term debt outstanding, \$230,655,000 (1984 - \$158,491,000) is payable to the Minister of Finance for British Columbia. The Province has unconditionally guaranteed the principal and interest of all other long-term debt issued by the Corporation.

Issues during the year ended March 31, 1985:

Series	Coupon Rate	Maturity Date	Principal \$000's
BCBR-1	See below	June 20, 1989	<b>20,000</b>
BCEC-2	13.50%	July 6, 1991	<b>30,000</b>
BCBC-F	10.75%	Feb. 6, 1990	<b>25,000</b>

As at March 31, 1985 series BCBR-1 bears interest at 11.12% but is subject to rate adjustment every 91 days.

Aggregate sinking fund and principal payments on all outstanding issues for each of the next five years:

	\$000's
1985/86	<b>24,583</b>
1986/87	<b>55,492</b>
1987/88	<b>165,660</b>
1988/89	<b>19,960</b>
1989/90	<b>44,660</b>

# Notes to the Financial Statements

March 31, 1985

## 9. Notes Payable to the Province of British Columbia

	1985	1984
	\$000's	
Interest free promissory notes due March 31, 1992, callable on 30 days notice	67,543	80,667
Interest bearing promissory notes due June 30, 1984	—	50,000
	<u>67,543</u>	<u>130,667</u>

The interest free promissory notes are payable semi-annually in varying amounts over their terms.

Payments over the next five years:

	\$000's
1985/86	10,710
1986/87	11,710
1987/88	10,710
1988/89	10,710
1989/90	10,710

## 10. Short-Term Debt

Short-term notes, maturing at varying dates to July 2, 1985	48,488	69,643
Promissory note, due May 14, 1984	—	10,000
	<u>48,488</u>	<u>79,643</u>

The short-term notes are payable to the Minister of Finance for British Columbia. These notes represent issues by the Ministry of Finance of which \$14,182,000 (1984 - \$69,643,000) are in United States currency and are fully hedged. The effective interest rates range from 9.68% to 12.44%, and average 10.67% for the notes outstanding.

## 11. Other Liabilities

Due to bank, unsecured	452	3,150
Accounts payable and accrued liabilities	22,754	29,593
Retentions on contracts	1,125	4,521
Accrued interest payable		
- Province of British Columbia	8,051	3,662
- Other	8,619	8,620
Dividend payable	4,404	—
	<u>45,405</u>	<u>49,546</u>

## 12. Contributions by the Province of British Columbia

Balance, beginning of year	62,427	63,100
Properties acquired from (returned to) the Province, net	89	(673)
Balance, end of year	<u>62,516</u>	<u>62,427</u>

## 13. Commitments

The Corporation estimates that the cost to complete projects under construction will be \$13,000,000 of which \$1,000,000 has been committed.

The Corporation has entered into leases with third parties to provide space for its client ministries and its head office for varying periods up to the year 2003, at a total aggregate net rental of approximately \$154,000,000. Most leases are for between five and ten years and include renewal options.

Minimum annual lease payments which will be charged to operations in subsequent years, for leases committed at March 31, 1985:

	\$000's
1985/86	34,000
1986/87	29,000
1987/88	24,000
1988/89	20,000
1989/90	15,000
Post 1989/90	<u>32,000</u>
	<u>154,000</u>

## 14. Interest

	1985	1984
	\$000's	
Interest on long-term debt	60,875	55,689
Other interest	8,544	10,070
Amortization of debt discount and issue expenses	8,600	7,698
Amortization of foreign exchange loss	1,816	425
	<u>79,835</u>	<u>73,882</u>
Deduct		
Interest assistance	10,000	10,000
Interest capitalized	3,727	4,590
Interest earned	3,093	2,708
	<u>16,820</u>	<u>17,298</u>
	<u>63,015</u>	<u>56,584</u>

The Province of British Columbia has agreed to provide assistance of up to \$10 million per annum towards the interest expense incurred by the Corporation in connection with its investment in B.C. Place, until the earlier of 1992 or such time as the cash flow to the Corporation from its investment exceeds the related interest expense.

## 15. Related Party Transactions

The Corporation is incorporated under the British Columbia Buildings Corporation Act as a Crown corporation of the Province of British Columbia, and is an agent of the Crown.

The Corporation received 92% of its total revenues from Provincial Government ministries. These revenues consist primarily of rents that are determined with reference to market, however, in such cases where comparable market rates do not exist, rents are based on the amortization of the capital costs.

During the year ended March 31, 1985, the Corporation had property transactions with the Province and its agents. Properties acquired had an aggregate value of \$1,520,000 which was determined by reference to market values. Properties returned had a value of \$3,350,000 which was determined by reference to net book values.



## BRITISH COLUMBIA CELLULOSE COMPANY

Coopers  
& Lybrand

chartered accountants

a member firm of  
Coopers & Lybrand (International)

## AUDITORS' REPORT

The Lieutenant-Governor in Council  
Province of British Columbia

We have examined the balance sheet of British Columbia Cellulose Company as at December 31, 1984 and the statements of loss and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Coopers & Lybrand*

Vancouver, B.C.  
March 13, 1985

## BRITISH COLUMBIA CELLULOSE COMPANY

BALANCE SHEET AS AT DECEMBER 31, 1984

## A S S E T S

	1984 \$	1983 \$
CURRENT ASSETS		
Cash and short-term deposits	188,817	887,746
Accrued interest and accounts receivable	20,031	5,557
Prepaid rentals and timber sale deposits	<u>50,970</u>	<u>50,970</u>
	259,818	944,273
LOANS TO OCEAN FALLS CORPORATION (note 3)	Nil	Nil
EQUIPMENT - at estimated net realizable value (note 4)	1,481,596	2,011,247
OFFICE EQUIPMENT - at cost less accumulated depreciation of \$8,873 (1983 - \$8,536)	<u>1,349</u>	<u>1,686</u>
	<u>1,742,763</u>	<u>2,957,206</u>

## L I A B I L I T I E S

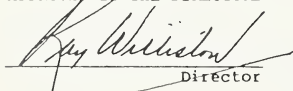
## CURRENT LIABILITIES

Accounts payable and accrued liabilities	<u>20,883</u>	<u>40,626</u>
------------------------------------------	---------------	---------------

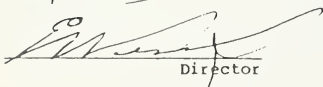
## S H A R E H O L D E R ' S    E Q U I T Y

CAPITAL STOCK (note 5)	2	2
RETAINED EARNINGS	<u>1,721,878</u>	<u>2,916,578</u>
	<u>1,721,880</u>	<u>2,916,580</u>
	<u>1,742,763</u>	<u>2,957,206</u>

APPROVED BY THE DIRECTORS



Director



Director

BRITISH COLUMBIA CELLULOSE COMPANY  
STATEMENT OF LOSS AND RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984 \$	1983 \$
INCOME		
Interest income	70,434	153,631
Standby fees	22,446	26,913
Other	<u>15,349</u>	<u>          </u>
	<u>108,229</u>	<u>180,544</u>
EXPENSE		
Administrative	116,115	120,733
Research and development (note 1)	98,379	368,596
Other	<u>61,435</u>	<u>53,710</u>
	<u>275,929</u>	<u>543,039</u>
LOSS BEFORE THE FOLLOWING	(167,700)	(362,495)
Provision for loss on Ocean Falls Corporation loan (note 3)	(500,000)	(600,000)
Provision for write-down of equipment to estimated net realizable value (note 4)	<u>(527,000)</u>	<u>          </u>
LOSS FOR THE YEAR (note 6)	(1,194,700)	(962,495)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>2,916,578</u>	<u>3,879,073</u>
RETAINED EARNINGS - END OF YEAR	<u><u>1,721,878</u></u>	<u><u>2,916,578</u></u>

BRITISH COLUMBIA CELLULOSE COMPANY  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 1984

	1984 \$	1983 \$
USE OF WORKING CAPITAL		
For current operations	167,363	362,073
Loan to Ocean Falls Corporation	500,000	600,000
Purchase (sale) of equipment	<u>(2,651)</u>	<u>55,590</u>
DECREASE IN WORKING CAPITAL	664,712	1,017,663
WORKING CAPITAL - BEGINNING OF YEAR	<u>903,647</u>	<u>1,921,310</u>
WORKING CAPITAL - END OF YEAR	<u>238,935</u>	<u>903,647</u>

REPRESENTED BY:

Current assets	259,818	944,273
Current liabilities	<u>20,883</u>	<u>40,626</u>
WORKING CAPITAL - END OF YEAR	<u>238,935</u>	<u>903,647</u>

## BRITISH COLUMBIA CELLULOSE COMPANY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

## 1. OPERATIONS

The work initiated by the company in developing an oriented strand board product from poorer quality cedar is now the responsibility of H.A. Simons (Overseas) Ltd. If a viable project develops, agreement has been reached whereby the company will be reimbursed for a portion of its development costs if and when a profitable commercial operation is established.

The company is currently investigating the feasibility of establishing lumber operations at Ocean Falls based on the export market for partially manufactured products and a memorandum of agreement has been signed with the Chinese authorities in this regard. Professional fees for cruising and engineering on the company's timber sale, together with evaluation studies on Ocean Falls' power supply and buildings stock, amounted to \$98,379 in 1984.

## 2. FUTURE OPERATIONS

During 1983, the "British Columbia Cellulose Company Repeal Act" was passed by the B.C. Legislature. The purpose of this Act is to dissolve the company and to transfer its assets and liabilities to the Crown. The Act is to come into force by regulation of the Lieutenant Governor in Council. As at December 31, 1984 no date for dissolution has been set.

## 3. LOANS TO OCEAN FALLS CORPORATION

The company has, as a part of its mandate from the B.C. Government, the responsibility of funding Ocean Falls Corporation's townsite costs while investigations proceed regarding the future of Ocean Falls.

	1984 \$	1983 \$
Amounts loaned	4,250,000	3,750,000
Less: Provision for doubtful collection	<u>(4,250,000)</u>	<u>(3,750,000)</u>
	<u>Nil</u>	<u>Nil</u>

## BRITISH COLUMBIA CELLULOSE COMPANY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

## 3. LOANS TO OCEAN FALLS CORPORATION (continued)

The loans to Ocean Falls Corporation are with interest at prime bank lending rate plus 1/2%. Interest has been paid to December 31, 1979. Security is by way of fixed and floating charges on specified properties subject only to a prior debenture to the Province of British Columbia. Of the total loans outstanding, \$2,250,000 is on a demand basis and \$2,000,000 is repayable June 30, 1985. In view of the closure of its newsprint operation, the ability of Ocean Falls Corporation to repay this loan is considered doubtful. Accordingly, full provision has been made for the potential loss and no interest has been accrued since January 1, 1980.

## 4. EQUIPMENT

In prior years, the company purchased certain manufacturing equipment in anticipation of establishing an experimental logging operation at Ocean Falls, B.C. This project was halted for an indefinite period, and the equipment is currently being stored and held for sale or use in the redevelopment of Ocean Falls. A provision of \$527,000 has been made during the current year to write down the carrying value of this equipment to estimated net realizable value.

During 1983, the company acquired certain other equipment necessary to carry out the research for an experimental wood product (note 1). The equipment is being used by H.A. Simons (Overseas) Ltd. in the development of the product and no depreciation is being charged during the experimental processing stage.

## 5. CAPITAL STOCK

	1984	1983
	\$	\$
Authorized -		
1,000,000 common shares of no par value		
Issued and fully paid -		
2 shares	2	2
	=	=

These shares are wholly-owned by the Province of British Columbia.

## 6. INCOME TAXES

As a Provincial Crown Corporation, the company is exempt from federal and provincial income taxes.



## BRITISH COLUMBIA CELLULOSE COMPANY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

## 7. RELATED PARTY TRANSACTIONS

Reference should be made to notes 3 and 5 for related party transactions. Management of the company's short-term deposits is handled by the Ministry of Finance.

## 8. CONTINGENCY

As a result of certain work carried out on the company's timber sale, the company has earned Section 88 credits amounting to \$13,411. These credits will be recorded only at such time as they are used to offset appropriate expenditures.

**BRITISH COLUMBIA DEVELOPMENT CORPORATION**

**PANNELL  
KERR  
FORSTER**

**AUDITORS' REPORT**

To the Honourable Robert H. McClelland,  
Minister of Industry and Small Business Development,  
Province of British Columbia.

We have examined the consolidated balance sheet of British Columbia Development Corporation as at March 31, 1985 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Pannell Kerr Forster*

Vancouver, Canada.  
May 17, 1985.

(Formerly Campbell Sharp)  
Chartered Accountants

BRITISH COLUMBIA DEVELOPMENT CORPORATIONCONSOLIDATED BALANCE SHEETas at March 31, 1985

## A S S E T S

	Note	1985	1984
INDUSTRIAL DEVELOPMENT PROGRAMS			
Land and development projects	1	\$ 80,227,739	\$ 103,262,198
Loans to industrial enterprises		78,420,286	74,325,073
Property leases receivable		5,473,643	5,588,265
Rental properties	2	<u>17,037,174</u>	<u>18,898,969</u>
		181,158,842	202,074,505
CASH		8,223,009	3,590,587
OTHER ASSETS	3	2,637,269	2,307,446
SMALL BUSINESS DEVELOPMENT FUND	4	181,088,930	182,738,130
TRUST ASSETS	5	<u>27,295,281</u>	<u>26,277,220</u>
		\$ 400,403,331	\$ 416,987,888

## L I A B I L I T I E S

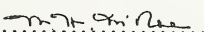
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 9,824,328	\$ 9,309,901
TERM DEBT	6 176,734,182	153,169,256
SMALL BUSINESS DEVELOPMENT FUND	181,088,930	182,738,130
TRUST LIABILITY	<u>27,295,281</u>	<u>26,277,220</u>
	394,942,721	371,494,507

## SHAREHOLDER'S EQUITY

SHARE CAPITAL		
Common shares of \$100 par value: authorized 2,000,000; issued 546,183	54,618,300	54,618,300
CONTRIBUTED SURPLUS	10,869,533	11,807,545
DEFICIT	( 60,027,223 )	( 20,932,464 )
	5,460,610	45,493,381
	\$ 400,403,331	\$ 416,987,888

Approved by the Directors


 ..... Director


 ..... Director

BRITISH COLUMBIA DEVELOPMENT CORPORATIONCONSOLIDATED STATEMENT OF LOSS AND DEFICITfor the year ended March 31, 1985

	<u>1985</u>	<u>1984</u>
REVENUE		
Industrial development programs		
Land and development project sales	\$ 13,511,585	\$ 6,731,160
Loan interest and guarantee fees	9,790,582	9,731,590
Lease financing	716,506	705,384
Property rentals	1,318,607	686,282
Management fees	991,865	1,028,901
Interest on cash deposits	322,593	463,824
Other	<u>121,483</u>	<u>537,344</u>
	<u>26,773,221</u>	<u>19,884,485</u>
EXPENSE		
Cost of sales, land and development projects	12,866,193	6,072,739
Interest on term debt	21,056,278	19,085,237
Property taxes	2,928,731	3,374,395
Staff remuneration and benefits	2,397,296	2,679,523
Advertising and business development	231,451	280,691
General administration	1,284,697	1,163,861
Professional services	720,922	467,124
Depreciation and amortization	<u>581,423</u>	<u>559,642</u>
	42,066,991	33,683,212
less: expenses capitalized to land and development projects	<u>1,689,279</u>	<u>4,024,031</u>
	<u>40,377,712</u>	<u>29,659,181</u>
LOSS BEFORE THE FOLLOWING	<u>13,604,491</u>	<u>9,774,696</u>
Provision for write-down of land and development projects	22,933,423	8,534,781
Provision for losses on loans	<u>2,556,845</u>	<u>2,976,286</u>
	<u>25,490,268</u>	<u>11,511,067</u>
NET LOSS FOR THE YEAR	39,094,759	21,285,763
DEFICIT (RETAINED EARNINGS), beginning of year	<u>20,932,464</u>	<u>( 353,299 )</u>
DEFICIT, end of year	<u>\$ 60,027,223</u>	<u>\$ 20,932,464</u>

BRITISH COLUMBIA DEVELOPMENT CORPORATION  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
for the year ended March 31, 1985

	<u>1985</u>	<u>1984</u>
FINANCIAL RESOURCES DERIVED FROM:		
Term debt	\$ 23,564,926	\$ 9,765,176
Share capital	-	12,118,300
Other sources	<u>-</u>	<u>4,636,044</u>
	\$ 23,564,926	\$ 26,519,520
	<u>                    </u>	<u>                    </u>
FINANCIAL RESOURCES USED FOR:		
Industrial development programs		
Land and development projects	\$ 11,489,077	\$ 12,430,954
Rental properties	-	12,089,515
Loans to industrial enterprises	<u>39,124,452</u>	<u>11,905,609</u>
	<u>50,613,529</u>	<u>36,426,078</u>
Less recoveries:		
Land sales and other recoveries	13,112,129	8,930,947
Loans and lease payments	<u>32,587,016</u>	<u>13,621,589</u>
	<u>45,699,145</u>	<u>22,552,536</u>
Net additions	4,914,384	13,873,542
Loss for the year, before provision for write- down of land and development projects and provision for losses on loans	13,604,491	9,774,696
Cash resources	4,632,422	2,871,282
Other purposes	<u>413,629</u>	<u>-</u>
	\$ 23,564,926	\$ 26,519,520
	<u>                    </u>	<u>                    </u>

BRITISH COLUMBIA DEVELOPMENT CORPORATIONMarch 31, 1985

## STATUS OF THE CORPORATION

The British Columbia Development Corporation is a Crown corporation of the Province of British Columbia, incorporated pursuant to the Development Corporation Act.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The financial statements of the Corporation are presented in accordance with generally accepted accounting principles.

Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiary companies:

The First Capital City Development Company Limited  
Duke Point Development Limited  
Lonsdale Quay Development Company Limited

Loans and Guarantees

Loans and guarantees are reviewed regularly by management and provision is made for anticipated losses. Loans are written off against the provision when known to be uncollectible. At March 31, 1985 the balance in the provision was \$7,292,550 (1984 - \$9,925,034).

Land and Development Projects

Land and development projects are carried at cost less provision for write-down to estimated net realizable value. Cost represents acquisition of land and capitalized development costs. Development costs include direct development expenditures, direct salaries and expenses, interest, property taxes and a proportion of other expenses.

Depreciation and Amortization

Furniture and equipment are depreciated on the straight line method over five years. Leasehold improvements are amortized over the term of the lease plus one renewal term. Rental properties are depreciated on the straight line method over ten to twenty-five years.

Deferred Charges

Term debt payable in United States dollars is translated to Canadian dollars at the year-end exchange rate. Unrealized gains or losses arising from exchange fluctuations are amortized over the term of the debt.

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BRITISH COLUMBIA DEVELOPMENT CORPORATIONMarch 31, 1985

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Contributed Surplus

The Corporation is designated by the Government of the Province of British Columbia as its chief agency dealing in Crown industrial land holdings. Land acquired for development is recorded at estimated market value which is credited to contributed surplus. Land acquired for resale is recorded at value equal to 70% of the net selling price which is credited to contributed surplus. When land is returned to the Province, contributed surplus is reduced by the amount recorded upon acquisition.

Income Recognition

## Land and development projects sales:

The Corporation recognizes revenue on the sale of land and development projects when all material conditions in the sale agreement have been fulfilled.

## Property leases:

Leases containing options to purchase generally are considered to be financing arrangements and are accounted for as sales where there is reasonable expectation that the option will be exercised. Total minimum lease payments receivable, excluding related unearned financing revenue, are reflected on the balance sheet as property leases receivable.

## Property rentals:

Income from rental property is recognized when a satisfactory level of occupancy has been achieved, subject to a reasonable maximum lease-up period. Prior to that time, expenses net of rental income are capitalized.

BRITISH COLUMBIA DEVELOPMENT CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1985

1. LAND AND DEVELOPMENT PROJECTS

	<u>1985</u>	<u>1984</u>
Balance, beginning of year	\$ 103,262,198	\$ 108,296,972
Add:		
Acquisition and direct development costs	9,553,898	5,548,715
Interest, property taxes and indirect overhead capitalized	1,689,279	4,024,031
Transfer from rental properties	1,521,980	-
Deduct:		
Cost of sales	( 12,866,193)	( 6,072,739)
Provision for write-down	( 22,933,423)	( 8,534,781)
Balance, end of year	\$ 80,227,739	\$ 103,262,198

Interest and property taxes of \$16,766,282 (1984 - \$12,746,342) on certain projects were expensed during the year rather than capitalized because the carrying value of those projects otherwise would have exceeded estimated net realizable value. This amount is in addition to the provision for write-down of land and development projects of \$22,933,423 (1984 - \$8,534,781) for reduction in estimated realizable value.

2. RENTAL PROPERTIES

Rental properties are carried at cost less accumulated depreciation of \$1,116,400 (1984 - \$959,573).

	<u>1985</u>	<u>1984</u>
Land and buildings	\$ 16,371,549	\$ 18,195,844
Other property	665,625	703,125
	\$ 17,037,174	\$ 18,898,969

3. OTHER ASSETS

	<u>1985</u>	<u>1984</u>
Premises and equipment, at cost	\$ 1,373,888	\$ 1,273,935
less: accumulated depreciation and amortization	936,305	694,728
	437,583	579,207
Accounts receivable	632,277	394,082
Deferred charges	1,567,409	1,334,157
	\$ 2,637,269	\$ 2,307,446



- 2 -

BRITISH COLUMBIA DEVELOPMENT CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 1985

## 4. SMALL BUSINESS DEVELOPMENT FUND

Under an agreement with the Province of British Columbia, the Corporation operates the Small Business Development Fund which provides term loans to industrial enterprises. The fund consists of:

	<u>1985</u>	<u>1984</u>
<b>Assets</b>		
Cash and short term investments	\$ 132,548,283	\$ 136,294,335
Accrued investment interest	3,231,478	10,749,473
Loans receivable, less allowance for losses	43,480,900	34,961,998
Indemnity due from the Province of British Columbia	<u>1,828,269</u>	<u>732,324</u>
	<u>\$ 181,088,930</u>	<u>\$ 182,738,130</u>
<b>Liabilities</b>		
Notes guaranteed by the Province of British Columbia	\$ 171,448,363	\$ 182,264,165
Other liabilities	<u>9,640,567</u>	<u>473,965</u>
	<u>\$ 181,088,930</u>	<u>\$ 182,738,130</u>

## 5. TRUST ASSETS

Under an agreement with the Province of British Columbia, the Corporation acts as agent and administrator of the Low Interest Loan Assistance Program (LILA). Assets administered under this program consist of:

	<u>1985</u>	<u>1984</u>
Cash and short term deposits	\$ 9,330,627	\$ 4,445,646
Loans receivable, less allowance for losses	<u>17,964,654</u>	<u>21,831,574</u>
	<u>\$ 27,295,281</u>	<u>\$ 26,277,220</u>

- 3 -

BRITISH COLUMBIA DEVELOPMENT CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1985

## 6. TERM DEBT

	<u>1985</u>	<u>1984</u>
Notes guaranteed by the Province of British Columbia:		
Payable in five equal annual instalments commencing March 5, 1988, with interest at 8.95% payable semi-annually	\$ 64,300,000	\$ 64,300,000
less: unamortized discount based on an effective interest rate of 15.75%	<u>14,298,037</u>	<u>16,200,306</u>
	50,001,963	48,099,694
Payable December 1, 1986, with interest at 16 7/8% payable semi-annually (U.S. \$12,400,000)	17,180,200	16,002,200
Notes payable to the Province of British Columbia:		
Revolving credit facility, with floating interest rates currently averaging 11.4%	86,000,000	58,000,000
Term notes	-	4,000,000
Loans payable to the Province of British Columbia pursuant to the Subsidiary Agreement on Industrial Development:		
Payable progressively as the Corporation sells or leases its Duke Point properties, with interest at 5 1/2%	13,000,000	13,000,000
Payable September 28, 1989, without interest	5,500,000	5,500,000
Payable progressively until October 16, 1990, with interest at 5 1/2%, adjusted annually	2,350,000	2,420,000
Other term debt	<u>2,702,019</u>	<u>6,147,362</u>
	<u>\$ 176,734,182</u>	<u>\$ 153,169,256</u>

## 7. CONTINGENT LIABILITIES

The Corporation, as part of its industrial development programs, is contingently liable as guarantor of indebtedness and performance of industrial enterprises for \$1,250,000 (1984 - \$8,270,000).

## 8. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation enters into transactions with related parties including the Province of British Columbia, its agencies and other Crown corporations.

**BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING  
AUTHORITY**

Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

---

**AUDITOR'S REPORT**

To the Chairman and Members of the  
British Columbia Educational Institutions Capital Financing  
Authority, and

To the Minister of Finance  
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia Educational Institutions Capital Financing Authority as at 31 March 1985 and the statement of sources and uses of funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 March 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
12 June 1985

## EXHIBIT A

## BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

## STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 1985

## ASSETS

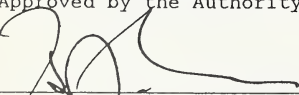
	<u>1985</u>	<u>1984</u>
Current		
Accrued interest receivable	\$ 17,167,169	\$ 15,999,308
Instalments to sinking funds receivable within one year	<u>10,174,465</u>	<u>9,345,722</u>
	<u>27,341,634</u>	<u>25,345,030</u>
Long-term loans receivable (note 3 and schedule 1)	403,587,535	382,474,778
Less accumulated sinking fund instalments and investment income	<u>35,211,157</u>	<u>22,535,913</u>
	<u>368,376,378</u>	<u>359,938,865</u>
	<u>\$ 395,718,012</u>	<u>\$ 385,283,895</u>

## LIABILITIES

Current		
Accrued interest payable	\$ 17,167,169	\$ 15,999,308
Instalments to sinking funds payable within one year	<u>10,174,465</u>	<u>9,345,722</u>
	<u>27,341,634</u>	<u>25,345,030</u>
Long-term debt (note 4)	403,587,535	382,474,778
Less: Sinking Funds on deposit with the Minister of Finance of the Province of British Columbia (note 5)	<u>35,211,157</u>	<u>22,535,913</u>
	<u>368,376,378</u>	<u>359,938,865</u>
	<u>\$ 395,718,012</u>	<u>\$ 385,283,895</u>

The five accompanying notes and Schedule 1  
are an integral part of these financial statements.

Approved by the Authority:

  
\_\_\_\_\_  
Hugh A. Curtis, Chairman

  
\_\_\_\_\_  
David L. Emerson, Secretary

## EXHIBIT B

## BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

## STATEMENT OF SOURCES AND USES OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1985

Sources of Funds	<u>1985</u>	<u>1984</u>
Proceeds of Authority debentures issued	\$ 21,489,000	\$ 80,460,000
Interest on long-term loans receivable	54,055,422	49,426,485
Unrealized foreign exchange gain on long-term loans receivable	452,500	213,000
	<u>75,996,922</u>	<u>130,099,485</u>
Sinking funds		
Instalments received	9,374,114	7,410,736
Income on investments	3,333,771	1,834,423
	<u>12,707,885</u>	<u>9,245,159</u>
Less: Funds management fees (note 5)	32,641	23,227
	<u>12,675,244</u>	<u>9,221,932</u>
	<u>\$ 88,672,166</u>	<u>\$ 139,321,417</u>
Uses of Funds		
Loans issued	\$ 21,489,000	\$ 80,460,000
Interest on long-term debt	54,055,422	49,426,485
Unrealized foreign exchange loss on long-term debt	452,500	213,000
	<u>75,996,922</u>	<u>130,099,485</u>
Net increase in sinking funds	12,675,244	9,221,932
	<u>\$ 88,672,166</u>	<u>\$ 139,321,417</u>

## BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 1. The Authority

The Authority was established by the Educational Institution Capital Finance Act, R.S.B.C. 1979, Chapter 102. Section 3 of the Act states "The purpose of the authority is to assist designated educational institutions to finance their capital expenditures by purchasing debentures issued by them with money raised by the issue and sale of debentures of the authority".

The debentures issued to the Authority by the Educational Institutions have terms and conditions identical to those governing the borrowing of the Authority itself.

## 2. Significant accounting policies

a) Sinking fund instalments received from Educational Institutions in respect of their debt to the Authority together with the investment income earned thereon are set aside in sinking funds maintained by the Trustee, the Minister of Finance, to provide for retirement of the debt of the Authority at maturity. Sinking fund instalments, income earned on sinking fund investments, and the corresponding investment of the instalments and income by the sinking fund trustee have been reflected in the statement of sources and uses of funds.

## b) Sinking fund investments

- i) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a straight-line basis over the remaining terms of the investments.
- ii) Temporary investments are valued at the lower of the cost of acquisition or market value.

## c) Foreign exchange

Assets and liabilities denominated in foreign currency have been converted to Canadian dollars at the rate prevailing at the balance sheet date.

Unrealized gains and losses arising on foreign exchange are reflected in the statement of sources and uses of funds in the year in which they arise. The gains and losses are not deferred and amortized as they are fully offsetting and have no effect on the net financial position of the Authority.

## BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 3. Long-term loans receivable

Long-term loans receivable of \$404,827,000 (1984: \$388,073,500) are redeemable on five months' notice, in whole or in part before maturity, at the option of the Chairman of the Authority. Long-term loans receivable of \$5,188,000 (1984: Nil) are redeemable on thirty days notice, in whole or in part before maturity, at the option of the Chairman of the Authority. The remaining long-term loans receivable of \$3,747,000 (1984: \$3,747,000) are not redeemable before maturity.

Long-term loans receivable include U.S. \$5,000,000 (1984: U.S. \$5,000,000).

Details of long-term loans receivable are set out in Schedule I.

## 4. Long-term debt

	<u>1985</u>	<u>1984</u>
Canada Pension Plan Investment Fund		
9.41% to 17.51% debentures, due 1998 through 2005	\$ 396,967,000	\$ 380,666,000
Province of British Columbia Pension Funds		
10.875% to 11.75% debentures, due 1989 and 1993	4,772,000	4,772,000
Province of British Columbia 12.75% to 13.5% debentures due 1989 through 1991	5,188,000	-
General public 16.875% debenture, due 1986	6,835,000	6,382,500
	<hr/>	<hr/>
	413,762,000	391,820,500
Less: Instalments to sinking funds payable within one year	<u>10,174,465</u>	<u>9,345,722</u>
	<u>\$ 403,587,535</u>	<u>\$ 382,474,778</u>

Long-term debt includes U.S. \$5,000,000 (1984: U.S. \$5,000,000).

Debentures issued to the Canada Pension Plan Investment Fund are redeemable on six months' notice, in whole or in part before maturity, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures issued to the Province of British Columbia are redeemable on thirty days notice, in whole or in part before maturity, at the option of the Minister of Finance of the Province of British Columbia.

## BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 4. Long-term debt (continued)

Debenture maturities due in the next five fiscal years are:

1986	-
1987	\$6,835,000
1988	-
1989	-
1990	4,213,000

Repayment of these debentures will be fully funded by sinking fund assets.

Sinking fund instalments of \$10,174,465 are due in fiscal years 1986 and 1987. \$9,745,569 are due in each of the fiscal years 1988-1990 inclusive.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on \$408,574,000 of the long-term debt of the Authority.

## 5. Sinking funds on deposit at 31 March

	<u>1985</u>	<u>1984</u>
Cash and temporary investments	\$ 33,391,059	\$ 20,909,863
Long-term investments	1,000,000	1,000,000
(Market value \$880,000 1984: \$776,000)		
Accrued interest	829,038	632,548
	<u>35,220,097</u>	<u>22,542,411</u>
Less: Funds management fees payable	8,940	6,498
	<u>\$ 35,211,157</u>	<u>\$ 22,535,913</u>

The cost of temporary investments is considered to approximate market value.

Funds management fees have been charged to the sinking funds of the Authority by the Ministry of Finance for the year ended 31 March 1985, in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.



## SCHEDULE 1

## BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

## SCHEDULE OF LONG-TERM LOANS RECEIVABLE

AS AT 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
University of British Columbia 9.41% to 17.51%, due 1986 to 2004, inclusive	\$ 107,978,000	\$ 99,798,000
Simon Fraser University 9.41% to 17.00%, due 1986 to 2004, inclusive	45,356,750	43,876,125
University of Victoria 9.41% to 17.00%, due 1986 to 2004, inclusive	29,243,750	28,843,125
Emily Carr College of Art and Design 10.49% to 16.875%, due 1986 to 2002, inclusive	6,481,569	6,450,085
Fraser Valley College 10.68% to 17.00%, due 1986 to 2005, inclusive	16,808,290	15,046,541
Pacific Vocational Institute 10.68% to 16.10%, due 1993 to 2004, inclusive	13,945,000	12,445,000
Douglas College 10.875% to 17.51%, due 1989 to 2004, inclusive	43,769,300	43,062,300
Camosun College 11.37% to 16.875%, due 1986 to 2004, inclusive	14,022,973	13,993,911
Vancouver Community College 10.92% to 17.51%, due 1993 to 2004, inclusive	54,143,000	52,079,000
Justice Institute of British Columbia 12.96% to 16.875%, due 1986 and 2004	1,073,094	1,028,533
Okanagan College 12.55% to 17.51%, due 2000 and 2001	10,220,000	10,220,000
Pacific Marine Training Institute 11.75% to 17.01%, due 1993 to 2004, inclusive	8,394,000	8,394,000

SCHEDULE 1  
(continued)

## BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY

## SCHEDULE OF LONG-TERM LOANS RECEIVABLE

AS AT 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
East Kootenay Community College 12.01% to 17.01%, due 1989 to 2002, inclusive	\$ 10,389,700	\$ 9,150,700
Northwest Community College 11.75% to 13.18%, due 1993 and 2001	379,000	379,000
Selkirk College 11.65% to 16.53%, due 1993 to 2003, inclusive	3,594,000	3,594,000
Capilano College 11.65% to 17.00%, due 1993 to 2003, inclusive	15,056,000	15,056,000
Cariboo College 11.75% to 16.875%, due 1986 to 2003, inclusive	4,080,718	4,022,446
New Caledonia College 10.92% to 14.81%, due 1989 and 2004	4,759,850	3,887,000
Northern Lights College 12.13% to 17.51%, due 1989 to 2004, inclusive	13,089,150	12,641,000
North Island College 11.37% to 17.01%, due 2001 and 2003	1,003,000	1,003,000
Malaspina College 11.53% to 16.875%, due 1986 to 2003, inclusive	2,576,356	2,552,234
British Columbia Institute of Technology 11.53% to 11.75%, due 1993 and 2005	6,198,500	3,098,500
Kwantlen College 10.92%, due 2003	<u>1,200,000</u>	<u>1,200,000</u>
	\$ 413,762,000	\$ 391,820,500
Less: Instalments to sinking funds receivable within one year	<u>10,174,465</u>	<u>9,345,722</u>
	<u>\$ 403,587,535</u>	<u>\$ 382,474,778</u>

## BRITISH COLUMBIA FERRY CORPORATION

**AUDITOR'S REPORT****THORNE  
RIDDELL**

Chartered Accountants



## AUDITORS' REPORT

To the Lieutenant-Governor in Council  
Province of British Columbia

We have examined the balance sheet of British Columbia Ferry Corporation as at March 31, 1985 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chartered Accountants

Victoria, Canada  
May 21, 1985

Offices throughout Canada, International Firm Klynveld Main Goerdeler

**BRITISH COLUMBIA FERRY CORPORATION****Balance Sheet  
as at March 31, 1985****ASSETS**

1985                      1984  
(expressed in thousands)

**CURRENT ASSETS**

Cash (Note 1)	\$ 11,943	\$ 3,861
Accounts receivable (Note 2)	800	505
Inventories (Note 3)	8,558	9,252
Prepayments and deposits	<u>849</u>	<u>583</u>
	<u>22,150</u>	<u>14,201</u>

**RESERVED FUNDS (Note 4)**

7,817                      —

**FIXED ASSETS (Note 5)**

Ships, berths, buildings, equipment and land	477,874	465,418
Less accumulated depreciation	<u>204,709</u>	<u>173,645</u>
	<u>273,165</u>	<u>291,773</u>


\$303,132

\$305,974

APPROVED BY THE BOARD



Director



Director

**BRITISH COLUMBIA FERRY CORPORATION****LIABILITIES**

1985                      1984  
(expressed in thousands)

**CURRENT LIABILITIES**

Accounts payable and accrued  
liabilities  
Deferred revenue

\$ 18,261	\$ 19,456
<u>1,675</u>	<u>1,544</u>
19,936	21,000

**LONG-TERM DEBT (Note 6)**

36,446	35,586
--------	--------

**ACCRUED SICK LEAVE LIABILITY (Note 7)**

<u>5,218</u>	<u>5,844</u>
--------------	--------------

<u>61,600</u>	<u>62,430</u>
---------------	---------------

**SHAREHOLDERS' EQUITY****SHARE CAPITAL**

Authorized  
1,000,000 shares without  
par value with a maximum  
consideration of \$100,000,000  
Issued

68,512 shares

6,851	6,851
-------	-------

**CONTRIBUTED SURPLUS (Note 8)**

250,401	250,401
---------	---------

**DEFICIT**

<u>( 15,720)</u>	<u>( 13,708)</u>
------------------	------------------

<u>241,532</u>	<u>243,544</u>
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**COMMITMENTS (note 13)**

<u>\$303,132</u>	<u>\$305,974</u>
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**BRITISH COLUMBIA FERRY CORPORATION****Statement of Income**

YEAR ENDED MARCH 31, 1985  
(expressed in thousands)

	1985	1984
<b>Operating Revenues</b>		
Tolls	\$100,628	\$ 94,828
Catering	22,396	23,737
Other income (note 9)	<u>2,506</u>	<u>1,949</u>
	125,530	120,514
Less cost of food and goods sold	<u>8,993</u>	<u>9,174</u>
	<u>116,537</u>	<u>111,340</u>
<b>Operating Expenses</b>		
Salaries, wages and benefits	79,518	83,449
Fuel and lubricants	23,886	25,352
Materials, operating supplies and services	10,186	10,338
Contracted replacements, repairs and maintenance	5,263	6,950
Marketing, general and administrative	3,630	3,518
Charter fees	<u>2,825</u>	<u>2,946</u>
	<u>125,308</u>	<u>132,553</u>
<b>Operating Loss Before Subsidy</b>	8,771	21,213
<b>Province of British Columbia Subsidy (note 10)</b>	<u>43,000</u>	<u>43,000</u>
<b>Income from operations</b>	34,229	21,787
<b>Interest Expense (note 11)</b>	<u>5,177</u>	<u>6,198</u>
<b>INCOME BEFORE DEPRECIATION</b>	29,052	15,589
<b>Depreciation</b>	<u>31,064</u>	<u>30,586</u>
<b>LOSS FOR THE YEAR AFTER DEPRECIATION</b>	<u>\$ 2,012</u>	<u>\$ 14,997</u>

**BRITISH COLUMBIA FERRY CORPORATION****Statement of Deficit**

YEAR ENDED MARCH 31, 1985  
(expressed in thousands)

	1985	1984
Deficit (accumulated income reinvested in corporation assets) at beginning of year	\$ 13,708	\$ (1,289)
Loss for the year after depreciation	<u>2,012</u>	<u>14,997</u>
DEFICIT AT END OF YEAR	<u>\$ 15,720</u>	<u>\$ 13,708</u>

**Statement of Changes in Financial Position**

YEAR ENDED MARCH 31, 1985  
(expressed in thousands)

	1985	1984
SOURCES (USES) OF CASH		
CASH FROM OPERATIONS (Note 12)	<u>\$ 28,355</u>	<u>\$ 17,198</u>
FINANCIAL ACTIVITIES		
Proceeds from promissory note issue	—	14,739
Repayment of note payable	—	(30,000)
Cash reserved for funding accrued sick leave liability	( 4,172)	—
Sinking fund payments	<u>( 3,645)</u>	<u>( 322)</u>
Cash used in financial activities	<u>( 7,817)</u>	<u>(15,583)</u>
INVESTMENT ACTIVITIES		
Fixed asset additions	(12,456)	( 7,142)
Proceeds on sale of fixed assets	<u>—</u>	<u>9</u>
Cash used in investment activities	<u>(12,456)</u>	<u>( 7,133)</u>
INCREASE (DECREASE) IN CASH	8,082	( 5,518)
CASH AT BEGINNING OF YEAR	<u>3,861</u>	<u>9,379</u>
CASH AT END OF YEAR	<u>\$ 11,943</u>	<u>\$ 3,861</u>

Note: In this statement cash includes only cash available for day to day operations and does not include Reserved Funds cash.

**BRITISH COLUMBIA FERRY CORPORATION**

## **Summary of Accounting Policies**

YEAR ENDED MARCH 31, 1985

In accordance with Section 8(7) of the Ferry Corporation Act the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

### **Inventories –**

Inventories are valued at the lower of cost and current replacement cost.

### **Long-Term Disability –**

Amounts paid to the Superannuation Branch of the Public Service Commission under the Long-Term Disability Plan are accounted for by the Corporation on the basis of accruing in the financial statements that portion estimated to be payable to employees until retirement for individual disability with the balance of the amounts paid being included in prepaid expenses.

### **Fixed Assets –**

Acquired from the Province of British Columbia effective January 1, 1977:

#### **(a) Ships**

Ships, which comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-In-Council dated December 16, 1976 and transferred at an assigned value of \$1, have been revalued by the Corporation and are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977 on the basis of construction records for labour and materials valued at 1977 cost exclusive of any federal ship building subsidies which may have been available during the extended period of years during which the individual ships were built and during which such subsidies fluctuated substantially. The estimated depreciated replacement value of the ships at January 1, 1977 is not intended to reflect fair market value of the fleet nor can it be considered to approximate fair market value because of the specialized nature and limited saleability of the ships themselves.

In addition, three ships presently under charter by the Province until 1994 are subchartered to the Corporation for the same period at an annual cost of \$1 each, with the Corporation being responsible for all operating, repair, and maintenance costs. Under the terms of the subcharter agreement with the Province, the Corporation may in 1994 request that the Province exercise its option to purchase these ships at its own expense in accordance with the terms of its charter agreement. In the event that such option is exercised, clear title to the ships will be transferred to the Corporation. As a result of these transactions and agreements, these ships are reflected as capital assets of the Corporation in the accompanying financial statements and are similarly stated at their estimated depreciated replacement value as at January 1, 1977.



## BRITISH COLUMBIA FERRY CORPORATION

### (b) Berths, buildings and equipment

Berths, buildings and equipment also comprise part of the total assets acquired from the Province effective January 1, 1977 by Order-In-Council dated December 16, 1976 and transferred at an assigned value of \$1. These assets are reflected in the accompanying financial statements at their estimated depreciated replacement value as at January 1, 1977 based upon an appraisal made by Universal Appraisal Company Limited as at that date.

#### *Additions and disposals subsequent to January 1, 1977:*

The costs of major replacements, additions, extensions and improvements are capitalized in the fixed asset accounts. The costs of maintenance, repairs, minor renewals or replacements are charged against income. On retirement or disposal of fixed assets, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of income.

On October 1, 1983 the remaining buildings and equipment at Deas Dock facility, not acquired from the Province on January 1, 1977 were transferred at an assigned value of \$1. These assets are reflected in the accompanying financial statements at their estimated depreciated replacement value as at October 1, 1983 based upon an appraisal made by Universal Appraisal Company Limited as at that date.

### **Depreciation –**

Fixed assets are depreciated on the straight line method based upon the following useful lives:

Ships .....	25 years
Berths .....	5 - 10 years
Buildings and equipment .....	4 - 25 years

### **Amortization of Promissory Note Discount and Issue Costs –**

Promissory note discount is amortized on a compound interest method over the term of the debt. Issue costs are amortized on a straight-line basis over the term of the debt.

### **Provision for Annual Refit Costs –**

The Corporation provides for ship refit expense by charging against income the anticipated costs over the period between refits.

**BRITISH COLUMBIA FERRY CORPORATION****Notes to Financial Statements**

YEAR ENDED MARCH 31, 1985

**1. CASH AND SHORT-TERM INVESTMENTS**

Funds, other than those required for immediate settlement of liabilities, are invested in short-term commercial securities authorized pursuant to the terms and provisions of the Financial Administration Act of British Columbia. The investments are arranged through the Ministry of Finance of the Province.

**2. ACCOUNTS RECEIVABLE**

Provision has been made for the uncollectibility of a 1980 accounts receivable of \$1,950,619 due from the British Columbia Steamship Company (1975) Ltd. for the lease and modifications to the Lessee's specifications of the M.V. "Queen of Prince Rupert".

**3. INVENTORIES**

	1985	1984
	(expressed in thousands)	
Spare components, parts and supplies	\$ 6,987	\$ 6,832
Fuel and lubricants	1,153	1,980
Goods for resale and catering supplies	418	440
	<u>\$ 8,558</u>	<u>\$ 9,252</u>

**4. RESERVED FUNDS**

The Corporation has segregated assets that are required for specific purposes or as required by long-term debt obligations.

	1985	1984
	(expressed in thousands)	
Sinking funds for long-term debt (note 6)		
Administered by the Province	\$ 345	\$ —
Administered by the Corporation	3,300	—
	3,645	—
Fund for accrued sick leave liability (note 7)	4,172	—
	<u>\$ 7,817</u>	<u>\$ —</u>

**5. FIXED ASSETS**

FIXED ASSETS	1985		1984	
	(expressed in thousands)			
	Cost or Appraised Value	Accumulated Depreciation	Net Book Value	Net Book Value
Ships owned	\$ 282,725	\$ 105,472	\$ 177,253	\$ 192,581
Ships under capital lease	72,697	22,256	50,441	43,771
Berths, buildings and equipment	120,524	76,981	43,543	50,966
Land	723	—	723	723
Construction in progress	1,205	—	1,205	3,732
	<u>\$ 477,874</u>	<u>\$ 204,709</u>	<u>\$ 273,165</u>	<u>\$ 291,773</u>

## BRITISH COLUMBIA FERRY CORPORATION

### 6. LONG-TERM DEBT

	1985	1984
	(expressed in thousands)	
Long-term debt issued by the Corporation		
8.95% Promissory notes (effective rate of 15.75%), are repayable in five equal annual instalments of \$5.7 million commencing March 5, 1988	\$ 28,500	\$ 28,500
Less unamortized discount and issue costs	<u>6,473</u>	<u>7,332</u>
	<u>22,027</u>	<u>21,168</u>
12.08% Promissory note (effective rate of 12.44%) due September 9, 2003 is repayable by annual sinking fund payments of \$322,492 commencing September 9, 1984	14,758	14,758
Less unamortized issue costs	<u>17</u>	<u>18</u>
	<u>14,741</u>	<u>14,740</u>
	36,768	35,908
Sinking fund payment required within one year	<u>322</u>	<u>322</u>
	<u>\$ 36,446</u>	<u>\$ 35,586</u>

Principal and sinking fund payments due in each of the next five years:

1986	1987	1988	1989	1990
\$322,492	\$322,492	\$6,022,492	\$6,022,492	\$6,022,492

The Province of British Columbia unconditionally guarantees the payment of principal and interest on the Promissory notes.

### 7. ACCRUED SICK LEAVE LIABILITY

On September 1, 1978 the Corporation introduced short-term illness and injury and long-term disability plans and as of that date all employees ceased accruing sick leave credits. Under the collective agreement with the employees, in the event of illness, the accumulated sick time may be withdrawn prior to retirement and on retirement any balance remaining is payable in cash at 50% of accredited time. The liability as at March 31, 1985 based upon a recent actuarial evaluation by Reed Stenhouse Associates Limited established the present lump sum value of cash payouts on retirement to all employees at \$4,172,000 which, with interest will accumulate an amount required to meet those obligations. The recorded liability as actuarially evaluated in 1982 with accrued interest net of withdrawals to 1985 exceeded the current evaluation by \$1,569,391. One third of the excess is reflected in current operations and the balance will be reflected in operations of the next two fiscal periods. Funds reserved for liquidation of this liability are invested in short-term commercial security (Note 1).

**BRITISH COLUMBIA FERRY CORPORATION****8. CONTRIBUTED SURPLUS**

	1985	1984
	(expressed in thousands)	
Excess of estimated depreciated replacement value over assigned value of \$1 of assets acquired from the Province of British Columbia		
- Ships, berths, buildings and equipment effective January 1, 1977	\$ 249,674	\$ 249,674
- Buildings and equipment effective October 1, 1983	<u>727</u>	<u>727</u>
	<u>\$ 250,401</u>	<u>\$ 250,401</u>

**9. OTHER INCOME**

	1985	1984
	(expressed in thousands)	
Parking and ancillary traffic revenue	\$ 947	\$ 837
Interest earned on funds in bank and short-term investments	<u>1,559</u>	<u>1,112</u>
	<u>\$ 2,506</u>	<u>\$ 1,949</u>

**10. PROVINCIAL SUBSIDY AND BENEFITS**

The Corporation receives a subsidy from the Province of British Columbia which is determined annually.

Included in fixed assets as "ships under capital lease" are three ships leased from the Province at an annual cost of \$1 each. The annual cost of these charters to the Province is \$4,819,800. In addition the Corporation utilizes Crown land for terminals and highway access without rental or property taxes. The value of these benefits is indeterminable. The Corporation, as an agent of the Crown, is not liable to taxation, including taxation on improvements, except insofar as the Crown is liable.

The Corporation utilizes Ministries and Agencies of the Provincial Government for negotiation and purchase of fuel, materials, and communications. The aggregate of these transactions is \$39.3 million (1984 - \$45.3 million).

**11. INTEREST EXPENSE**

	1985	1984
	(expressed in thousands)	
Interest expense, amortization of promissory note discount and amortization of debt issue cost on:		
- long term debt	\$ 5,171	\$ 4,292
- short term borrowings	<u>6</u>	<u>1,906</u>
	<u>\$ 5,177</u>	<u>\$ 6,198</u>

**BRITISH COLUMBIA FERRY CORPORATION****12. CASH FROM OPERATIONS**

	1985	1984
	(expressed in thousands)	
Loss for the year after depreciation	\$( 2,012)	\$(14,997)
Items not involving cash		
Depreciation	31,064	30,586
Amortization of promissory note discount and issue costs	860	741
Loss on retirement of fixed assets	—	248
Increase (decrease) in accrued sick leave liability	( 626)	( 164)
Cash generated from continuing operations	29,286	16,742
Cash generated from (used for) operating working capital		
Accounts receivable	( 295)	104
Inventories	695	259
Prepayments and deposits	( 266)	1,542
Accounts payable and accrued liabilities	( 1,195)	( 1,349)
Deferred revenue	( 130)	( 100)
Cash generated from operations	<u>\$ 28,355</u>	<u>\$ 17,198</u>

**13. COMMITMENTS**

The Corporation is contractually committed to modify the passenger areas on the M.V. "Queen of the North" and to complete terminal compound improvements at Skidegate and Departure Bay. The total estimated cost of these capital projects is \$0.9 million and as at March 31, 1985 the estimated remaining cost to complete these commitments is \$0.4 million.

Not included in the accounts is a lease commitment of \$5.4 million for the M.V. "Quinsam" which is fully recoverable through a non-cancellable sub-lease with the Ministry of Transportation and Highways for British Columbia.

**14. COMPARATIVE FIGURES**

Certain comparative figures for the previous year have been reclassified to conform with the March 31, 1985 financial statement presentation.

**BRITISH COLUMBIA FOOD EXHIBITIONS LTD.  
(formerly Surrey Farm Products Investments Ltd.)**

*Touche Ross & Co.*

Chartered Accountants

11

AUDITORS' REPORT

The Shareholder,  
British Columbia Food Exhibitions Ltd.  
(formerly Surrey Farm Products Investments Ltd.)

We have examined the balance sheet of British Columbia Food Exhibitions Ltd. as at March 31, 1985 and the statement of loss and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at March 31, 1985 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.,  
June 17, 1985.

*Touche Ross & Co.*  
Chartered Accountants

*Touche Ross & Co.*

## BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

(formerly Surrey Farm Products Investments Ltd.)  
(Incorporated under the Company Act of British Columbia)

## BALANCE SHEET AS AT MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
<u>ASSETS</u>		
Current		
Cash	\$ 18,554	\$ -
Term deposit	-	342
Accrued interest receivable	156	-
	18,710	342
Deferred expenses	6,611	-
	<u>\$ 25,321</u>	<u>\$ 342</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 2,484	\$ -
Advance on Provincial government grant	25,000	-
<u>DEFICIENCY IN ASSETS</u>		
Capital stock		
Authorized		
12,600 \$2.75 cumulative, redeemable, preferred shares, Series A par value \$50 each		
150,000 common shares of no par value		
Issued and fully paid		
11,027 preferred shares	551,350	551,350
101,750 common shares	41,155	41,155
	592,505	592,505
Deficit	594,668	592,163
	(2,163)	342
	<u>\$ 25,321</u>	<u>\$ 342</u>
Approved by the Directors		
.....Director		
.....Director		

See accompanying notes to financial statements.

*Touche Ross & Co.*

## BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

(formerly Surrey Farm Products Investments Ltd.)

STATEMENT OF LOSS AND DEFICIT  
FOR THE YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
Income		
Interest income	\$ <u>310</u>	\$ <u>106</u>
Expenses		
Accounting and audit	275	925
Legal	2,316	1,551
Office	<u>224</u>	<u>179</u>
	<u>2,815</u>	<u>2,655</u>
Net loss for the year	2,505	2,549
Deficit at beginning of year	<u>592,163</u>	<u>589,614</u>
Deficit at end of year	<u>\$594,668</u>	<u>\$592,163</u>

See accompanying notes to financial statements.



*Touche Ross & Co.*

BRITISH COLUMBIA FOOD EXHIBITIONS LTD.

(formerly Surrey Farm Products Investments Ltd.)

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1985

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1. General

The Company is currently being organized to carry-out an International Food Trade Show "Food Pac 86". Funding grants of \$950,000 have been approved by the Provincial Government.

The wholly-owned subsidiary companies, Surrey Farm Products Hatchery Ltd. and Western Feed Co. Ltd., were wound up during the year.

2. Accounting policies

Deferred expenses

Expenses incurred for the International Food Trade Show "Food Pac 86" are deferred and will be written-off when the trade show has taken place.

3. Income taxes

The Company is exempt from income taxes under Section 149 of the Income Tax Act.

4. Commitment

The Company has entered into a contractual arrangement to lease space requiring payments of \$87,304 in 1986.

## BRITISH COLUMBIA HARBOURS BOARD



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

5 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

---

### AUDITOR'S REPORT

To the Chairman and Members of the  
British Columbia Harbours Board:

I have examined the statement of financial position of the British Columbia Harbours Board subsequent to the disposition of its assets and liabilities as at 31 October 1983. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the financial statement presents fairly the financial position of the Board subsequent to the disposition of its assets and liabilities as at 31 October 1983, as described in note 2 to the financial statement, in accordance with generally accepted accounting principles applied on a basis consistent with that of the year ended 31 March 1983.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
7 January 1985

## BRITISH COLUMBIA HARBOURS BOARD

## STATEMENT OF FINANCIAL POSITION

subsequent to disposition as at 31 October 1983

	After Disposition 31 October 1983	Prior to Disposition 31 October 1983
	(in \$000's)	
<u>ASSETS</u>		
Current assets		
Cash	-	1,214
Accounts receivable	-	798
	-	2,012
Fixed assets		
Railway	-	18,401
Land	-	11,527
Buildings and equipment	-	584
	-	30,512
	-	32,524
<u>LIABILITIES, CAPITAL AND RETAINED EARNINGS</u>		
Current liabilities		
Accounts payable and accrued liabilities	-	1,697
Due to the Province of British Columbia	-	6,000
Capital and retained earnings		
Appraised value of railway right-of-way	-	1,593
Retained earnings	-	23,234
	-	32,524

The accompanying notes are an integral part of these statements.

Approved by the Board

M.C. Davis

H.P. McLean

## BRITISH COLUMBIA HARBOURS BOARD

## NOTES TO THE FINANCIAL STATEMENT

subsequent to disposition as at 31 October 1983

## 1. The Board

The British Columbia Harbours Board, established in 1968, is a Crown Corporation of the Province of British Columbia operating under the Harbour Board Act, R.S.B.C. 1979, and is an agent of the Crown.

In September 1983, the Harbour Board Repeal Act was passed.

Section 3 of the Act, which provides for the dissolution of the Board, will come into force by regulation of the Lieutenant Governor in Council.

Sections 4 and 5 of the Act, which provided for the transfer of assets and liabilities of the Board to the British Columbia Development Corporation and the British Columbia Railway Company, came into force by Order-in-Council 1703. The Order fixed the date of the transfer as 31 October 1983, and established the value of the assets and liabilities to be transferred as that determined by applying the accounting principles used to produce the audited financial statements of the Board for the year ended 31 March, 1983.

The Order also stipulated that the British Columbia Development Corporation and the British Columbia Railway Company make settlement of the value of net assets transferred to them by the issue to the Minister of Finance, on behalf of Her Majesty in right of the Province of British Columbia, of \$100 par value shares.

This financial statement has been prepared to reflect the transfer of assets and liabilities and the settlement by issue of shares as described above.

## 2. (a) Assets and Liabilities transferred to British Columbia Development Corporation:

Assets	
Accounts receivable	\$ 72,537
Land	11,526,889
Buildings and equipment	<u>584,322</u>
	12,183,748
Liabilities	
Accounts payable and accrued liabilities	<u>65,415</u>
Net, represented by shares issued by the corporation	<u>\$ 12,118,333</u>

In accordance with Order-in-Council 1703, the Corporation issued 121,183 shares of \$100 par value to the Minister of Finance, to be held by him on behalf of Her Majesty in right of the Province of British Columbia.

## BRITISH COLUMBIA HARBOURS BOARD

## NOTES TO THE FINANCIAL STATEMENT

subsequent to disposition as at 31 October 1983

## 2. (b) Assets and Liabilities transferred to British Columbia Railway Company:

Assets	
Cash	\$ 1,214,174
Accounts receivable	725,901
Railway	18,400,695
Less appraised value of railway right-of-way	<u>(1,593,400)</u>
	18,747,370
Liabilities	
Accounts payable and accrued liabilities	1,631,724
Due to Province of British Columbia	<u>6,000,000</u>
	<u>7,631,724</u>
Net, represented by shares issued by the company	\$ 11,115,646

In accordance with Order-in-Council 2074, the Company issued 111,156 shares of \$100 par value to the Minister of Finance, to be held by him on behalf of Her Majesty in right of the Province of British Columbia.

A subsequent review of Order-in-Council 1703 indicated that the appraised value of the railway right-of-way in the amount of \$1,593,400 should have been included in the settlement and would have resulted in issuance to the Province of a further 15,934 shares by the British Columbia Railway Company. As it was not the intent of the Province nor the Company to include this amount in the transfer value of assets, no further shares have been issued.

## BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

## AUDITOR'S REPORT

To the Chairman and Members of the  
British Columbia Health Care Research Foundation, and

To the Minister of Health  
Province of British Columbia:

I have examined the balance sheet of the British Columbia Health Care Research Foundation as at 31 March 1985 and the statement of revenue and expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Foundation as at 31 March 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
5 July 1985

## BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

## BALANCE SHEET

AS AT 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
ASSETS		
Cash and short term deposits	\$1,743,230	\$1,961,920
Accrued interest receivable	61,755	179,248
	<u>\$1,804,985</u>	<u>\$2,141,168</u>
LIABILITIES		
Accounts payable	\$ 3,358	\$ 6,862
Grants payable	1,735,296	1,862,592
SURPLUS	66,331	271,714
	<u>\$1,804,985</u>	<u>\$2,141,168</u>

The accompanying notes are an integral  
part of these financial statements.

Approved by the Board

  
Director

  
Director

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION  
STATEMENT OF REVENUE AND EXPENDITURE AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
REVENUE		
Contributions from the Lottery Fund	\$3,015,000	\$2,900,000
Interest	328,855	417,201
	<hr/> 3,343,855 <hr/>	<hr/> 3,317,201 <hr/>
EXPENDITURE		
Grants (note 3)		
- Research	2,616,965	2,742,512
- Equipment	98,865	70,785
- Emergency funding	68,567	108,216
- Development	40,648	18,174
	<hr/> 2,825,045 <hr/>	<hr/> 2,939,687 <hr/>
Scholarship Awards (note 4)	282,953	228,587
Research Fellowships	268,562	247,446
Administrative expenses	<hr/> 172,678 <hr/>	<hr/> 124,381 <hr/>
	<hr/> 3,549,238 <hr/>	<hr/> 3,540,101 <hr/>
EXCESS OF EXPENDITURE OVER REVENUE	(205,383)	(222,900)
SURPLUS AT BEGINNING OF YEAR	271,714	536,976
ADJUSTMENT FOR FRINGE BENEFITS	-	(42,362)
SURPLUS AT END OF YEAR	<hr/> \$ 66,331 <hr/>	<hr/> \$ 271,714 <hr/>



## BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 1. NATURE OF THE FOUNDATION

The Foundation is incorporated under the Society Act of British Columbia. The objects of the Foundation are to assist and collaborate with organizations conducting research in the field of health care in the Province of B.C.; to co-operate with community facilities or organizations concerned with the general health of communities in the Province; and, to accept and receive such grants, donations and other funds as may be deemed appropriate for use in the carrying out of the objects of the Foundation.

## 2. SIGNIFICANT ACCOUNTING POLICIES

Grants and fellowships are expensed in the year they are awarded.

Scholarship awards are renewable for three additional years, depending on the submission of annual progress reports and applications for renewal. Only current year awards are expensed during the year.

## 3. GRANTS

The Foundation paid grants to support health care research, equipment, development, and emergency projects to the organizations listed below. The grants are paid on a quarterly basis and are administered and disbursed by these organizations as expenses are incurred. Interest earnings on funds on deposit remain with the organization to offset administrative expenses. Amounts which remain unexpended at project completion or unexpended due to project cancellation or alternate funding are returnable to the Foundation.

## BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 3. GRANTS - continued

	<u>TOTAL GRANTS</u>	
	<u>1985</u>	<u>1984</u>
Arthritis Society	\$ 900	\$ -
B.C. Cancer Society	-	28,605
B.C. Children's Hospital	21,000	-
Can. Inst. of Public Health Inspectors	-	17,056
Cancer Control Agency of B.C.	107,700	112,923
Cedar Lodge	-	2,820
Glendale Lodge	3,684	-
Lions Gate Hospital	25,000	4,000
N. Shore Community Homemaker Society	-	2,000
Queen Alexandra Hosp. for Children	-	33,237
Royal Jubilee Hospital	-	30,000
St. Paul's Hospital	-	10,266
Simon Fraser Health Unit	3,000	-
Simon Fraser Union Board of Health	-	37,360
Simon Fraser University	112,474	98,735
South Central Health Unit	-	4,500
Union Board of Health	-	25,182
University of British Columbia	2,490,049	2,567,950
University of Victoria	132,056	129,481
Victoria General Hospital	1,064	-
	<hr/>	<hr/>
	\$2,896,927	\$3,104,115
Less: Returned Grants	71,882	164,428
	<hr/>	<hr/>
	<u>\$2,825,045</u>	<u>\$2,939,687</u>

BRITISH COLUMBIA HEALTH CARE RESEARCH FOUNDATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

4. COMMITMENT

The estimated cost to complete the funding of all outstanding scholarship grants is \$585,000 (1984 - \$600,000).

5. COMPARATIVE FIGURES

Certain 1984 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1985.

**BRITISH COLUMBIA HERITAGE TRUST**

**To the Chairman and Directors of the Board  
of the British Columbia Heritage Trust, and**

**To the Provincial Secretary and  
Minister of Government Services,  
Province of British Columbia**

I have examined the balance sheet of the British Columbia Heritage Trust as at 31 March 1985 and the statements of revenue and expenditure and surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust as at 31 March 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
10 May 1985

## British Columbia Heritage Trust

**Balance Sheet**

As at 31 March 1985

<b>Assets</b>	<b>1985</b>	<b>1984</b>
Cash and short-term deposits	\$1,779,904	\$1,969,717
Accounts receivable and advances	500	2,275
Accrued interest receivable	<u>49,339</u>	<u>56,699</u>
	1,829,743	2,028,691
Loan receivable	1,000	1,000
Mortgages receivable	151,790	153,782
Property	<u>1,034,868</u>	<u>905,590</u>
	<u><u>\$3,017,401</u></u>	<u><u>\$3,089,063</u></u>
<b>Liabilities</b>		
Accounts payable		
Trade	\$ 12,747	\$ 15,634
Province of British Columbia	<u>7,424</u>	<u>496</u>
	20,171	16,130
<b>Surplus</b>		
	<u>2,997,230</u>	<u>3,072,933</u>
	<u><u>\$3,017,401</u></u>	<u><u>\$3,089,063</u></u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board:



M.D.W. Young, Chairman



R.J. Irvine, Secretary

British Columbia Heritage Trust

# Statement of Revenue, Expenditure and Surplus

For the Year Ended 31 March 1985

Revenue	1985	1984
Interest	\$ 267,154	\$ 277,522
Grant from British Columbia		
Lottery Fund	1,250,000	1,250,000
Donations and miscellaneous receipts	<u>1,071</u>	<u>49,989</u>
	<u>1,518,225</u>	<u>1,577,511</u>

## Expenditure

Administration	78,793	110,958
Operating expenses	74,275	74,110
Printing and public relations	48,629	65,810
Grants - Heritage Area		
Revitalization Program	310,489	199,911
- Planning and		
Inventory Assistance	146,184	65,116
- Restoration Program	274,830	469,851
- Publications Assistance		
Program	96,435	103,058
- Scholarships	22,500	22,500
- Student Employment		
Program	212,561	199,828
- Archaeology	85,596	82,620
- Religious Buildings	86,541	80,466
- Conferences	8,650	25,000
- Other	123,445	176,273
- Expo 86	<u>25,000</u>	<u>—</u>
	<u>1,593,928</u>	<u>1,675,501</u>

Deficiency of Revenue Over Expenditure for the Year	(75,703)	(97,990)
--------------------------------------------------------	----------	----------

Surplus - Beginning of Year	<u>3,072,933</u>	<u>3,170,923</u>
Surplus - End of Year	<u>\$2,997,230</u>	<u>\$3,072,933</u>

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British Columbia Heritage Trust

# Statement of Changes in Financial Position

For the Year Ended 31 March 1985

<b>Funds Derived from:</b>	<b>1985</b>	<b>1984</b>
Repayment of mortgage receivable	<u>\$ 1,992</u>	<u>\$ 914</u>
<b>Funds Applied to:</b>		
Deficiency of revenue over expenditures for the year	75,703	97,990
Add item not involving cash - donated property	<u>—</u>	<u>36,501</u>
	75,703	134,491
Investments in property	129,278	123,187
Loan receivable	<u>—</u>	<u>1,000</u>
	<u>204,981</u>	<u>258,678</u>
<b>Decrease in Working Capital</b>	<b>(202,989)</b>	<b>(257,764)</b>
<b>Working Capital at Beginning of Year</b>	<u><b>2,012,561</b></u>	<u><b>2,270,325</b></u>
<b>Working Capital at End of Year</b>	<u><u><b>\$1,809,572</b></u></u>	<u><u><b>\$2,012,561</b></u></u>

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British Columbia Heritage Trust

# Notes to the Financial Statements

For the Year Ended 31 March 1985

## 1. The Trust

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The British Columbia Heritage Trust is a Crown Corporation incorporated under the Heritage Conservation Act, R.S.B.C. 1979, Chapter 165, and is an agent of the Crown. The object of the Trust is to encourage and facilitate the protection and conservation of heritage property in the Province.

## 2. Significant Accounting Policies

---

- a) All costs incurred for the acquisition and restoration of property purchased or to be purchased by the Trust are capitalized whether the property has been or will be registered in the name of the Trust or of the Province. Costs incurred in restoring property sites purchased directly by the Province are charged to expenditure - capital projects.
- b) Due to the nature of the properties no provision is made for depreciation.
- c) Donated property is recorded at appraised value at the time of its receipt.

## 3. Administrative Costs

---

The Ministry of Provincial Secretary and Government Services provides certain staffing, accommodation and administrative services for the Trust at no cost. The costs of providing these services for the year ended 31 March 1985 amounted to approximately \$170,000 (1984 - \$133,000).

## 4. Commitments

---

The Society had the following commitments at 31 March 1985.

	1985	1984
Grants	\$2,018,965	\$1,487,335
Other	28,470	—
	<u>\$2,047,435</u>	<u>\$1,487,335</u>

## 5. Comparative Figures

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Certain 1984 amounts have been reclassified to conform with the presentation adopted in 1985, with no resultant effect on surplus.



**BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT  
FINANCING AUTHORITY**

Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

---

AUDITOR'S REPORT

To the Chairman and Members of the  
British Columbia Housing and Employment Development  
Financing Authority, and

To the Minister of Finance  
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia Housing and Employment Development Financing Authority as at 31 March 1985 and the statements of revenue, expenditure and accumulated balance, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 March 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading 'Erma Morrison'.

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
24 May 1985

## EXHIBIT A

## BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

## FINANCING AUTHORITY

## STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 1985

## ASSETS

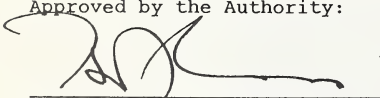
	<u>1985</u>	<u>1984</u>
Current		
Cash and temporary investments	\$ 213,691	\$ 5,882,264
Accrued interest receivable	9,400,107	248,225
Due from the Province of British Columbia	-	90,800
Current portion of long-term notes receivable	<u>130,000,000</u>	<u>-</u>
	139,613,798	6,221,289
Long-term notes receivable (note 3)	41,448,363	182,264,165
Unamortized debt issue expenses	<u>886,511</u>	<u>1,772,595</u>
	<u>\$181,948,672</u>	<u>\$190,258,049</u>

## LIABILITIES AND ACCUMULATED BALANCE

Current		
Due to the Province of British Columbia	\$ 77,720	\$ -
Accounts payable	50,714	131,466
Accrued interest payable	14,513,311	4,343,727
Current portion of long-term debt	<u>130,000,000</u>	<u>-</u>
	144,641,745	4,475,193
Long-term debt (note 4)	35,171,100	184,996,400
Accumulated balance (note 5)	<u>2,135,827</u>	<u>786,456</u>
	<u>\$181,948,672</u>	<u>\$190,258,049</u>

The six accompanying notes are an integral part of these financial statements.

Approved by the Authority:

  
Hugh A. Curtis, Chairman

  
David L. Emerson, Secretary

## EXHIBIT B

BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT  
FINANCING AUTHORITY  
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED BALANCE  
FOR THE YEAR ENDED 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
Revenue		
Interest income		
- temporary investments	\$ 314,674	\$ 215,838
- long-term notes receivable	19,784,125	20,435,223
	<hr/> 20,098,799	<hr/> 20,651,061
Expenditure		
Administrative costs	35,090	53,880
Amortization of debt issue expenses	886,511	886,297
Interest on long-term debt	17,827,827	18,924,428
	<hr/> 18,749,428	<hr/> 19,864,605
Excess of Revenue over Expenditure	1,349,371	786,456
Accumulated Balance, Beginning of Year	786,456	-
	<hr/>	<hr/>
Accumulated Balance, End of Year	<u>\$ 2,135,827</u>	<u>\$ 786,456</u>

## EXHIBIT C

## BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

## FINANCING AUTHORITY

## STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
Operating Transactions		
Excess of Revenue over Expenditure	\$ 1,349,371	\$ 786,456
Add Non-cash Item:		
Amortization of debt issue expenses	886,511	886,297
Decrease (Increase) in Non-cash Working Capital:		
Accrued interest payable	10,169,584	4,141,589
Due to/from Province of British Columbia	168,520	(90,800)
Accrued interest receivable	(9,151,882)	(46,087)
Accounts payable	(80,752)	(383,369)
	<hr/>	<hr/>
Derived from Operations	<u>3,341,352</u>	<u>5,294,086</u>
Financing Transactions		
Sources:		
Bonds issued	-	182,895,800
Repayment of note receivable	-	2,000,000
Redemption of long-term note receivable	10,815,802	6,519,735
	<hr/>	<hr/>
	<u>10,815,802</u>	<u>191,415,535</u>
Uses:		
Investment in long-term notes receivable	-	182,783,900
Redemption of long-term debt	19,825,300	3,899,400
Repayment of note payable	-	2,000,000
Debt issue expenses	427	2,144,057
	<hr/>	<hr/>
	<u>19,825,727</u>	<u>190,827,357</u>
Derived from (Used for) Financing Transactions	<u>(9,009,925)</u>	<u>588,178</u>
Increase (Decrease) in Cash and Temporary Investments	(5,668,573)	5,882,264
Cash and Temporary Investments:		
Balance, Beginning of Year	<u>5,882,264</u>	<u>-</u>
Balance, End of Year	<u>\$ 213,691</u>	<u>\$ 5,882,264</u>

## BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

## FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 1. The Authority

The Authority was established on 14 October 1982 by the Housing and Employment Development Financing Act, S.B.C. 1982 C 34. Section 3 of the Act states "The purposes of the authority are to create employment by financing housing and other capital projects in British Columbia, and any other programs the committee considers advisable, and to raise money for those purposes by the issue of housing and development bonds."

## 2. Significant accounting policy

## Debt issue expenses

Expenses related to bond issues of the Authority are deferred and amortized over the life of the bonds.

## 3. Long-term notes receivable

	<u>1985</u>	<u>1984</u>
British Columbia Development Corporation:		
<u>Maturity</u> <u>Rate</u>		
15 December 1986          12.25%	\$ 5,000,000	\$ 5,000,000
22 February 1987          11.75%	1,000,000	1,000,000
31 December 1987	165,448,363	176,264,165
Interest at an annual rate determined from time to time by the Minister of Finance (current rate 11.15%).		
	<hr/>	<hr/>
	171,448,363	182,264,165
Less: Current portion of long-term notes receivable	130,000,000	-
	<hr/>	<hr/>
	<u>\$ 41,448,363</u>	<u>\$182,264,165</u>

The above notes are redeemable prior to maturity in whole or part at the option of the British Columbia Development Corporation subject to an interest penalty of the lesser of the term remaining or six months.

The British Columbia Development Corporation has indicated an intent to redeem approximately \$130,000,000 of the note receivable maturing 31 December 1987 on or before 31 March 1986.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest of the long-term notes receivable.

## BRITISH COLUMBIA HOUSING AND EMPLOYMENT DEVELOPMENT

## FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 1985

## 4. Long-term debt

<u>Series</u>	<u>Rate</u>	<u>Maturity</u>	<u>1985</u>	<u>1984</u>
1-R	10.25%	31 March 1986	\$103,826,100	\$119,687,300
1-T	9.25%	31 March 1986	17,247,500	18,354,000
1-C	10.25%	31 March 1986	31,474,700	33,995,500
1-E	10.25%	31 March 1986	3,285,400	3,449,100
1-F	10.25%	31 March 1986	3,337,400	3,510,500
HED-A1	12.25%	15 December 1986	5,000,000	5,000,000
HED-A2	11.75%	22 February 1987	<u>1,000,000</u>	<u>1,000,000</u>
			165,171,100	184,996,400
Less: Current portion of long-term debt			<u>130,000,000</u>	<u>-</u>
			<u>\$ 35,171,100</u>	<u>\$184,996,400</u>

The above bonds are redeemable prior to maturity in whole or in part at the option of the bondholders subject to an interest penalty of three months (lesser of term remaining or six months for Series HED-A1 and HED-A2).

Long-term debt of \$159,171,100 will be due for payment on 31 March 1986. It is the intention of the Authority to finance approximately \$130,000,000 by early redemption of part of the long-term note receivable (see Note 3). It is also the intention of the Authority to refinance the balance, approximately \$29,171,100.

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on the long-term debt.

## 5. Accumulated balance

As stated in note 3, the interest rate on the long-term note receivable due in December 1987 will be set by the Minister of Finance from time to time. It is anticipated the interest rate will be sufficient to recover all related issue and administrative costs of the Authority. It is also anticipated the accumulated excess of revenue over expenditure of the Authority will be fully absorbed by future costs.

## 6. Comparative figures

Certain 1984 comparative figures in Exhibit C have been reclassified to conform with the presentation adopted in 1985.

## BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION



Peat, Marwick, Mitchell & Co.  
Chartered Accountants  
2400 - 1055 West Georgia Street  
P.O. Box 11150, Royal Centre  
Vancouver, B.C. V6E 3P3  
(604) 662-5500

## AUDITORS' REPORT

To the Chairman  
British Columbia Housing Management Commission  
Vancouver, B.C.

We have examined the combined balance sheet of the Province of British Columbia, projects and programs managed by British Columbia Housing Management Commission, as at December 31, 1984 and the combined statements of revenue and expenditure and Province's account and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the combined financial position of the projects and programs as at December 31, 1984 and the combined results of their operations and changes in their financial position for the year then ended in accordance with the accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Vancouver, Canada  
May 28, 1985

*Peat, Marwick, Mitchell & Co.*  
Chartered Accountants

PROVINCE OF BRITISH COLUMBIA  
PROJECTS AND PROGRAMS MANAGED BY  
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

COMBINED BALANCE SHEET  
DECEMBER 31, 1984 AND 1983

	<u>1984</u>	<u>1983</u>
<b>ASSETS</b>		
Accounts receivable	\$ 450,108	\$ 974,576
Prepaid expenses and shelter supplement	1,143,946	1,273,303
Disaster loss fund (note 3)	624,181	584,864
Fixed assets	273,873	82,819
Due from Canada Mortgage and Housing Corporation	3,565,230	3,267,426
Due from Province of British Columbia	<u>1,527,800</u>	<u>          </u>
	\$7,585,138	\$6,182,988
	=====	=====
<b>LIABILITIES AND PROVINCE'S ACCOUNT</b>		
Bank indebtedness	1,700,116	748,634
Accounts payable	3,200,730	3,425,462
Amortization payable	320,277	169,921
Tenants' prepaid rent	212,216	117,089
Disaster loss reserve (note 3)	<u>624,181</u>	<u>584,864</u>
	6,057,520	5,045,970
Province's account	<u>1,527,618</u>	<u>1,137,018</u>
	\$7,585,138	\$6,182,988
	=====	=====

On behalf of the Commission:

Chairman

*Mary L. Ken*

Member

*[Signature]*

See accompanying notes.



PROVINCE OF BRITISH COLUMBIA  
 PROJECTS AND PROGRAMS MANAGED BY  
 BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION  
 COMBINED STATEMENT OF REVENUE AND EXPENDITURE  
 AND PROVINCE'S ACCOUNT  
 YEARS ENDED DECEMBER 31, 1984 AND 1983

	<u>1984</u>	<u>1983</u>
Revenue:		
Tenant rent	\$18,680,002	\$17,176,414
Sundry	<u>46,888</u>	<u>83,763</u>
	<u>18,726,890</u>	<u>17,260,177</u>
Expenditure:		
Amortization	14,318,670	14,318,670
Operating	10,247,193	10,966,726
Shelter supplement	7,987,728	8,598,486
Maintenance	4,057,121	3,863,155
Grants in lieu of taxes (note 5)	3,374,366	3,424,276
Administration	2,542,269	2,601,608
Modernization and improvement	2,989,615	1,302,896
Provincial programs	1,358,632	1,391,225
Working capital interest (note 2)	<u>613,485</u>	<u>693,827</u>
	<u>47,489,079</u>	<u>47,160,869</u>
Program deficit	(28,762,189)	(29,900,692)
Interest income, net	<u>545,466</u>	<u>600,488</u>
Excess of expenditure over revenue for the year	28,216,723	29,300,204
Less Canada Mortgage and Housing Corporation subsidy share	<u>16,238,664</u>	<u>16,562,673</u>
Net Provincial expenditure	11,978,059	12,737,531
Subsidy receipts	12,325,219	11,485,696
Province's account, beginning of year	1,137,018	2,100,681
Prior period adjustment (note 4)	<u>43,440</u>	<u>288,172</u>
Province's account, end of year	\$ 1,527,618 =====	\$ 1,137,018 =====

See accompanying notes.

PROVINCE OF BRITISH COLUMBIA  
PROJECTS AND PROGRAMS MANAGED BY  
BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION  
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION  
YEARS ENDED DECEMBER 31, 1984 AND 1983

	<u>1984</u>	<u>1983</u>
Source of funds:		
Subsidy receipts:		
Province of British Columbia	\$12,368,659	\$11,774,378
Canada Mortgage and Housing Corporation	10,168,349	16,302,402
Decrease in accounts receivable	524,468	
Decrease in prepaid expenses	129,357	
Increase in accounts payable		1,480,358
Increase in tenants' prepaid rent	95,127	
Increase in amortization payable	<u>150,356</u>	
	<u>23,436,316</u>	<u>29,557,138</u>
Application of funds:		
Excess of expenditure over revenue for the year	28,216,723	29,300,204
Less:		
Depreciation expense	(81,798)	(75,581)
Retirement of fixed assets	(50,000)	(92,031)
Amortization credited to Canada Mortgage and Housing Corporation	<u>(5,772,511)</u>	<u>(5,772,511)</u>
	22,312,414	23,360,081
Increase in amount due from Province of British Columbia	1,527,800	
Increase in accounts receivable		618,491
Increase in prepaid expenses		31,537
Purchase of fixed assets	322,852	32,819
Decrease in accounts payable	224,732	
Decrease in amortization payable		8,546,159
Decrease in tenants' prepaid rent		<u>153,391</u>
	<u>24,387,798</u>	<u>32,742,478</u>
Decrease in funds	(951,482)	(3,185,340)
Funds, beginning of year	<u>(748,634)</u>	<u>2,436,706</u>
Funds, represented by bank indebtedness, end of year	<u>\$(1,700,116)</u>	<u>\$ (748,634)</u>
	=====	=====

See accompanying notes.

PROJECTS AND PROGRAMS  
MANAGED BY BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1984

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement presentation

These statements combine five separate financial statements of projects and programs operated by the Province of British Columbia (Ministry of Lands, Parks and Housing) and managed by British Columbia Housing Management Commission, each of which has its own subsidy sharing agreement.

The statements are prepared on the basis of accounting practices followed by similar entities in the Province of British Columbia.

b) Amortization

These statements do not include the capital cost of the projects, however, amortization in lieu of depreciation and interest on capital costs is in part payable to the Provincial Rental Housing Corporation and in part credited to Canada Mortgage and Housing Corporation based on schedules provided by the participants.

c) Tenant rent revenue

Tenant rent revenue represents rent charged to residents, and is determined as the lesser of market rent, or a percentage of the resident's income. On October 1, 1983 the percentage charged new tenants was increased to 30% from 25%. For existing tenants transitional provisions apply whereby the percentage increase is phased in over a three year period, i.e. 26.5% on October 1, 1983, 28.2% on October 1, 1984 and 30% on October 1, 1985.

d) Fixed assets

All purchases are recorded as program operating expenditures, except for computer hardware and software which are recorded at cost as fixed assets and depreciated on the straight line basis over five and three years respectively.

- 2 -

2. WORKING CAPITAL INTEREST

The Province of British Columbia, through the Wholly Provincial projects and programs account, provides working capital to the projects and programs managed by the Commission, at interest rates agreed to by the participants.

3. DISASTER LOSS FUND

This fund, financed by the Province of British Columbia and Canada Mortgage and Housing Corporation, provides for claims below the deductible amounts of insured properties and for damages to uninsured items.

4. PRIOR PERIOD ADJUSTMENT

Under agreement between the Province of British Columbia and Canada Mortgage and Housing Corporation, the cost sharing of subsidies between the participants has been revised for prior years.

5. GRANTS IN LIEU OF TAXES

The Commission, on behalf of the Province of British Columbia and Canada Mortgage and Housing Corporation, pays each municipality a grant equivalent to property taxes due for all residential properties and projects managed.

6. LEASE COMMITMENTS

The Commission has obligations under operating leases for office space to be expensed over the next five years as follows: \$372,000 in 1985, and \$480,000 in each of the next four years.

## BRITISH COLUMBIA HYDRO AND POWER AUTHORITY



1075 West Georgia Street  
Vancouver, British Columbia V6E 3G1  
(604) 682-4711 Telex. 04-507740

## REPORT OF THE AUDITORS

The Lieutenant Governor in Council,  
Province of British Columbia:

We have examined the balance sheets of British Columbia Hydro and Power Authority as at March 31, 1985 and 1984 and the statements of income and earnings employed in the business and changes in financial position for each of the three years in the period ended March 31, 1985. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Hydro and Power Authority as at March 31, 1985 and 1984 and the results of its operations and the changes in its financial position for each of the three years in the period ended March 31, 1985 in accordance with generally accepted accounting principles consistently applied, after giving effect to the change in accounting for foreign currency translation, as explained in Note 2 to the financial statements.

A handwritten signature in cursive script that reads "Price Waterhouse".

Vancouver, British Columbia  
June 7, 1985

Price Waterhouse  
Chartered Accountants

British Columbia Hydro and Power Authority

**Balance Sheet***as at March 31*

	1985	1984
	<i>(in millions)</i>	
<b>FIXED ASSETS (Note 6):</b>		
Fixed assets in service	\$10,231	\$8,046
Less —		
Accumulated depreciation	1,824	1,660
	8,407	6,386
Unfinished construction	588	2,375
	8,995	8,761
<b>CURRENT ASSETS:</b>		
Temporary investments	239	300
Accounts receivable and unbilled revenues	391	292
Materials and supplies	42	54
Prepaid expenses	42	36
	714	682
<b>UNAMORTIZED DEFERRED CHARGES:</b>		
Foreign currency translation (Note 2)	700	—
Discount and issue costs	93	74
	793	74
<b>OTHER ASSETS</b>	77	76
	<b>\$10,579</b>	<b>\$9,593</b>

APPROVED ON BEHALF OF THE BOARD:



Chester A. Johnson, Chairman



Sandra D. Sutherland Q.C., Director

	1985	1984
	<i>(in millions)</i>	
LONG-TERM LIABILITIES:		
Long-term debt <i>(Notes 2, 8 and 9)</i>	\$ 8,387	\$7,203
Deferred liabilities	39	47
	8,426	7,250
CURRENT LIABILITIES:		
Bank indebtedness	101	62
Accounts payable	235	312
Accrued interest	347	303
Long-term debt payments due within one year —		
Sinking fund instalments	95	97
Maturities, less sinking fund	87	276
	865	1,050
RATE STABILIZATION ACCOUNT <i>(Note 3)</i>	103	95
CONTRIBUTIONS ARISING FROM COLUMBIA RIVER TREATY	368	378
CONTRIBUTIONS IN AID OF CONSTRUCTION	293	275
EARNINGS EMPLOYED IN THE BUSINESS	524	545
COMMITMENTS AND CONTINGENCIES <i>(Notes 11 and 12)</i>		
	\$10,579	\$9,593

British Columbia Hydro and Power Authority

## Statement of Income and Earnings Employed in the Business

for the years ended March 31

	1985	1984	1983
	(in millions)		
REVENUES:			
Electric— Domestic (Note 12)	\$1,331	\$1,155	\$1,075
— Export surplus (Notes 3 and 4)	182	75	97
Total Electric	1,513	1,230	1,172
Gas	415	361	332
Rail	25	22	22
Sundry	—	—	2
Total Revenues	1,953	1,613	1,528
EXPENSES:			
Employee compensation	253	214	212
Materials and services	66	64	65
Energy (Note 5)	323	276	262
Taxes	299	262	254
Depreciation (Note 6)	179	168	157
Amortization and write-off of deferred development studies (Note 6)	50	72	22
	1,170	1,056	972
OPERATING INCOME BEFORE FINANCE CHARGES	783	557	556
Finance charges (Note 7)	772	520	479
OPERATING INCOME	11	37	77
Adjustment for rate stabilization (Note 3)	(8)	14	(19)
INCOME BEFORE EXTRAORDINARY ITEM	3	51	58
Extraordinary item (Note 13)	—	—	(77)
NET INCOME (LOSS)	3	51	(19)
EARNINGS EMPLOYED IN THE BUSINESS:			
At beginning of year, as previously reported	545	494	513
Adjustment for accounting policy change (Note 2)	(24)	—	—
As restated	521	494	513
At end of year	\$ 524	\$ 545	\$ 494

1983 and 1984 figures have been reclassified to conform with the presentation used for 1985.



British Columbia Hydro and Power Authority

**Statement of Changes in Financial Position***for the years ended March 31*

	1985	1984	1983
	<i>(in millions)</i>		
<b>OPERATING ACTIVITIES:</b>			
Operating income	\$ 11	\$ 37	\$ 77
Depreciation, amortization and write-off	278	259	195
Working capital (decrease)	(126)	51	61
Other	(5)	(20)	(17)
Funds provided by operating activities	158	327	316
<b>FINANCING ACTIVITIES:</b>			
Issue of long-term debt	660	786	663
Contributions in aid of construction	27	17	45
Retirement of long-term debt	(276)	(145)	(100)
Sinking fund — Instalments	(99)	(87)	(72)
— Income reinvested	(92)	(70)	(56)
Other	(2)	(1)	(1)
Funds provided by financing activities	218	500	479
<b>INVESTING ACTIVITIES:</b>			
Fixed asset expenditures	(484)	(820)	(1,037)
Net proceeds from (cost of) fixed asset retirements	13	(5)	(1)
Loans and mortgages	(5)	(12)	(19)
Funds used for investing activities	(476)	(837)	(1,057)
<b>INCREASE (DECREASE) IN FUNDS</b>	<b>(100)</b>	<b>(10)</b>	<b>(262)</b>
<b>FUNDS AT BEGINNING OF YEAR</b>	<b>238</b>	<b>248</b>	<b>510</b>
<b>FUNDS AT END OF YEAR</b>	<b>\$ 138</b>	<b>\$ 238</b>	<b>\$ 248</b>
 Increase (decrease) in working capital:			
Accounts receivable	\$ (99)	\$ (43)	\$ 44
Accounts payable	(77)	65	(11)
Accrued interest	44	26	50
Other current assets	6	3	(22)
	\$ (126)	\$ 51	\$ 61

Funds consist of temporary investments net of bank indebtedness.

*1983 and 1984 figures have been reclassified to conform with the presentation used for 1985.*

British Columbia Hydro and Power Authority

## Notes to Financial Statements

### Note 1 Significant Accounting Policies:

B.C. Hydro is a Crown corporation of the Province of British Columbia. B.C. Hydro's electric and gas services, including rates, are subject to regulation by the British Columbia Utilities Commission (the "Commission"). The accounting policies of the corporation conform to accounting principles generally accepted in Canada. A description of significant accounting policies follows. See also Note 2 regarding an accounting policy change and Note 3 for an explanation of the rate stabilization account.

#### **FIXED ASSETS**

Fixed assets in service consist principally of land, water rights, storage dams, plant for the generation, transmission and distribution of electricity and the distribution of gas, freight railway and rolling stock, and include the cost of plant financed by contributions in aid of construction and contributions arising from the Columbia River Treaty.

Fixed assets are carried at cost which includes material, direct labour and appropriate portions of engineering, administration and finance charges.

Capital development studies and projects which are abandoned or subject to indefinite deferral are written off. Capital development studies for which work is deferred for more than one year are amortized on a straight-line basis until the work is recommenced. Capital projects which are deferred but for which there is some reasonable probability they will proceed have a provision made for costs specifically identified as having reduced or no future value.

#### **DEPRECIATION**

The depreciation policy of B.C. Hydro is to charge the original cost of fixed assets to income over the estimated service lives of the assets. Depreciation is provided on all depreciable assets in service as at the beginning of each year and is computed using the straight-line method.

#### **FINANCE CHARGES CAPITALIZED**

B.C. Hydro capitalizes finance charges at rates equivalent to the cost of borrowing those funds expended on construction projects during each year of construction.

#### **CONTRIBUTIONS**

Contributions in aid of construction are amortized over the estimated service lives of the related assets, and the credit resulting therefrom is offset against the corresponding provision for depreciation.

Contributions arising from the Columbia River Treaty are amortized over the period ending in fiscal year 2025, the minimum term of the Treaty, and the credit resulting therefrom is offset against and is equal to the annual provision for depreciation of the related assets.

Contributions received in respect of unfinished construction are included with deferred liabilities until the assets are placed in service.

#### **FOREIGN CURRENCY TRANSLATION**

Long-term debt, current assets and current liabilities denominated in a foreign currency are translated into Canadian currency at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses arising from the translation of long-term debt are deferred and included in unamortized deferred charges — foreign currency translation. These deferred charges are amortized over the remaining term of the debt. Foreign exchange gains and losses on current assets and current liabilities are included in income.

#### **DISCOUNT AND ISSUE COSTS**

Discount and issue costs on long-term debt are amortized by charges to income on a straight-line basis over the terms of the respective debt.

#### **TEMPORARY INVESTMENTS**

Temporary investments are valued at the lower of cost and market.

#### **UNBILLED REVENUES**

Customers are billed on a cyclical basis for deliveries of electricity and gas. Unbilled deliveries are accrued and included in revenue.

#### **MATERIALS AND SUPPLIES**

Materials and supplies are valued at average cost, less provisions for declines in value due to damage and obsolescence.

British Columbia Hydro and Power Authority

## Notes to Financial Statements (continued)

### Note 2 Change in Accounting Policy:

As at April 1, 1984 B.C. Hydro adopted on a retroactive basis the new foreign currency translation recommendations of the Canadian Institute of Chartered Accountants. Previously, long-term debt was translated at the rates of exchange prevailing at the date the debt was incurred. The effect of this change for the year ended March 31, 1985 was to increase net income by \$6 million.

The change to the new policy has been made by an adjustment to earnings employed in the business as of April 1, 1984 rather than by restatement of the financial statements of prior years. Had the accounting policy change been applied to individual prior years, net income for the years ended March 31, 1984 and 1983 would have decreased by \$10 million and \$5 million respectively.

The principal effects of this change on the March 31, 1985 balance sheet have been to increase long-term debt by \$726 million and establish unamortized deferred charges — foreign currency translation of \$700 million.

### Note 3 Rate Stabilization Account:

The Commission directed B.C. Hydro to create as of March 31, 1982, an account to be known as the rate stabilization account in the amount of \$90 million, derived from export sales of surplus electric energy.

For fiscal years subsequent to March 31, 1982, B.C. Hydro has been directed to credit to the rate stabilization account annually, an amount based upon revenues derived from export sales of surplus electric energy (exclusive of sales of firm energy under approved export contracts) less direct expenses associated with such sales, including water rentals calculated by reference to the electricity generated to make such export sales, provided the account does not at any time exceed \$200 million.

For each of the fiscal years subsequent to March 31, 1982, the Commission has ordered B.C. Hydro to transfer from the rate stabilization account an amount of \$60 million, or such lesser amount as will reduce the account balance to nil, to be credited to income in the year, unless otherwise directed.

An analysis of the rate stabilization account is as follows:

	Years ended March 31		
	1985	1984	1983
	<i>(in millions)</i>		
Balance at beginning of year . . . . .	\$ 95	\$109	\$ 90
Transfer from income (Note 4) . . . . .	68	46	79
Transfer to income . . . . .	(60)	(60)	(60)
Adjustment for rate stabilization . . . . .	8	(14)	19
Balance at end of year . . . . .	\$103	\$ 95	\$109

### Note 4 Export Surplus:

Income from export surplus sales for each year was as follows:

	Years ended March 31		
	1985	1984	1983
	<i>(in millions)</i>		
Export surplus revenues . . . . .	\$182	\$ 75	\$ 97
Less: Direct expenses-			
Transmission charges . . . . .	26	3	4
Water rentals . . . . .	17	9	14
	43	12	18
Income before rate stabilization . . . . .	139	63	79
Amount transferred to			
Rate Stabilization Account (Note 3) . . . . .	(68)	(46)	(79)
Income from sales under approved export contracts . . . . .	\$ 71	\$ 17	\$ —

As directed by the Commission, income from export surplus sales is transferred to the rate stabilization account if it meets the conditions set out in Note 3 to the financial statements.

## Note 5 Energy:

	Years ended March 31		
	1985	1984	1983
	<i>(in millions)</i>		
Gas purchased for resale . . . . .	\$283	\$247	\$233
Transmission of electricity . . . . .	26	4	5
Purchase of electricity . . . . .	—	12	11
Fuel for generation . . . . .	14	13	13
	\$323	\$276	\$262

## Note 6 Fixed Assets:

	1985			1984		
	Fixed Assets in Service			Unfinished Construction	Total	Total
	Original Cost	Accumulated Depreciation	Net Book Value			
	<i>(in millions)</i>					
Electric Service						
Generation and storage . . . . .	\$ 4,994	\$ 598	\$4,396	\$ 82	\$4,478	\$4,362
Transmission . . . . .	1,866	322	1,544	370	1,914	1,772
Transformation . . . . .	1,148	244	904	95	999	986
Distribution . . . . .	1,220	357	863	—	863	830
Buildings and other . . . . .	277	130	147	7	154	237
Total Electric Service . . . . .	9,505	1,651	7,854	554	8,408	8,187
Gas Service . . . . .	487	95	392	33	425	397
Rail Service . . . . .	48	22	26	1	27	32
Common Properties . . . . .	180	56	124	—	124	134
Sundry . . . . .	11	—	11	—	11	11
Total . . . . .	\$10,231	\$1,824	\$8,407	\$588	\$8,995	\$8,761

## DEPRECIATION

The composite depreciation rates for each year in the three-year period ended March 31, 1985 were as follows:

	1985	1984	1983
	(%)	(%)	(%)
Electric Service . . . . .	2.54	2.52	2.47
Gas Service . . . . .	2.38	2.39	2.44
Rail Service . . . . .	3.77	3.71	3.64
Common Properties . . . . .	6.18	6.59	5.78

## AMORTIZATION AND WRITE-OFF OF DEFERRED DEVELOPMENT STUDIES

The amortization and write-offs related mainly to the following development studies: 1985 Iskut-Stikine — \$41 million; 1984 Meager Creek — \$26 million, Liard — \$17 million and Iskut-Stikine — \$11 million; 1983 Meager Creek — \$6 million.

The amounts amortized and written off for each year in the three-year period ended March 31, 1985 were as follows:

	1985	1984	1983
	<i>(in millions)</i>		
Amortization . . . . .	\$ 9	\$25	\$17
Write-offs . . . . .	41	47	5
	\$50	\$72	\$22

British Columbia Hydro and Power Authority  
Notes to Financial Statements (continued)

Note 7 Finance Charges:

	Years ended March 31		
	1985	1984	1983
	(in millions)		
Interest on long-term debt	\$ 994	\$872	\$800
Foreign exchange adjustments on long-term debt	37	12	11
Amortization of discount and issue costs	12	7	5
Other finance charges	4	2	2
	1,047	893	818
Less: Income from sinking fund investments held by Trustee	92	70	56
Income from temporary investments	33	19	66
	125	89	122
	922	804	696
Less: Finance charges capitalized	150	284	217
	\$ 772	\$520	\$479

The effective rate for finance charges capitalized to unfinished construction during the year ended March 31, 1985 was 13.9% (1984 — 12.2%; 1983 — 15.8%).

Note 8 Long-Term Debt:

	1985	1984
	(in millions)	
Total long-term debt outstanding —		
Payable in Canadian currency	\$4,366	\$4,184
Payable in United States currency (U.S. \$3,742; 1984 — U.S. \$3,583)	5,103	4,113
	9,469	8,297
Less: Sinking funds with Trustee, Minister of Finance for the Province of British Columbia*	900	721
	8,569	7,576
Less: Long-term debt payments due within one year —		
Sinking fund instalments	95	97
Maturities, less sinking fund	87	276
	182	373
	\$8,387	\$7,203

\* Includes investments in United States currency in the amount of U.S. \$92 million (1984 — U.S. \$77 million).

B.C. Hydro had 170 series of long-term debt outstanding at March 31, 1985 (1984 — 145). Coupon rates on this long-term debt range from 3¼% to 16¼%. The effective interest cost on long-term debt outstanding at March 31, 1985 was 9.40% (1984 — 9.21%) for Canadian denominated debt and 12.37% (1984 — 12.26%) for U.S. denominated debt.

The following long-term debt, in addition to 24 smaller issues totalling Canadian \$177 million and U.S. \$38 million, were issued by B.C. Hydro during the year ended March 31, 1985:

Coupon Rate	Series	Date of Maturity	Principal
13⅞%	FR	July 26, 1988	U.S. \$150 million
13.635%	FS	July 30, 1994	Cdn. \$ 55 million
12⅞%	GP	October 1, 1989	Cdn. \$ 62 million
10⅞%	GR	February 6, 1990	Cdn. \$150 million

Many of the series have annual sinking fund requirements. Total long-term debt maturity payments and sinking fund instalments of the long-term debt outstanding as at March 31, 1985 were as follows:

Year Ending March 31	Principal Amount of Maturities	Estimated Funds Accumulated to Maturity Date in Sinking Funds	Cash Requirements		
			Net Debt Maturities	Sinking Funds	Total
(in millions)					
1986	\$ 149	\$ 62	\$ 87	\$ 95	\$ 182
1987	283	107	176	106	282
1988	539	104	435	106	541
1989	504	72	432	104	536
1990	623	87	536	97	633
	2,098	432	1,666	508	2,174
1991-1995	2,046	1,099	947	403	1,350
1996-2000	895	682	213	330	543
2001-2005	1,659	1,659	—	231	231
2006-2010	916	916	—	88	88
2011-	1,855	1,855	—	11	11
	\$9,469	\$6,643	\$2,826	\$1,571	\$4,397

Net debt maturities represent the principal amount of maturities less estimated sinking funds at maturity, based on assumed average annual earnings of approximately 11 % on existing sinking fund investments and future sinking fund instalments, and estimated discounts on anticipated purchases of bonds subject to annual mandatory redemption. The translation of amounts denominated in a foreign currency is based on the rate of exchange in effect at March 31, 1985.

Certain B. C. Hydro debt held by the Canada Pension Plan Investment Fund and by the Minister of Finance of the Province of British Columbia contains provisions allowing holders to redeem the debt prior to maturity, in whole or in part, subject to certain restrictions. As at March 31, 1985 this debt amounted to \$892 million (1984 — \$829 million) net of sinking funds.

#### Note 9 Guarantee by Province of British Columbia:

Except for \$355 million of non-transferable debt issued to the Province of British Columbia, the Provincial Government has unconditionally guaranteed B.C. Hydro's long-term debt as to principal, premium, if any, and interest.

#### Note 10 Pension Plans:

Employees of B.C. Hydro are covered under contributory pension plans. It is B.C. Hydro's practice to obtain periodic actuarial valuations of the plans for purposes of determining annual pension costs and funding requirements. Current service costs are provided for and funded when incurred. Past service pension costs and accrued deficits arising from plan amendments, changes in actuarial assumptions and indexing supplements to existing pensioners are provided for and funded over periods and in amounts recommended by the actuary.

A summary actuarial report, dated April 25, 1985 indicated an accrued actuarial deficit in the principal plan as at December 31, 1984 of approximately \$29 million (1983 — \$44 million). B.C. Hydro is funding the deficit by annual payments of approximately \$4 million per annum to March 31, 1997 and \$3 million per annum thereafter to March 31, 2000.

The total cost to B.C. Hydro in respect of pension plans, including its share of Canada Pension Plan costs, for the year ended March 31, 1985 was \$25 million (1984 — \$25 million; 1983 — \$29 million), of which \$18 million (1984 — \$16 million; 1983 — \$17 million) was charged to income and the balance capitalized and included in fixed assets.



British Columbia Hydro and Power Authority  
**Notes to Financial Statements** *(continued)*

**Note 11 Commitments and Contingencies:**

Purchase commitments and contracts of B.C. Hydro for capital projects aggregated approximately \$45 million as at March 31, 1985.

The powerplant and concrete dam contractor on the Revelstoke project delivered in March 1984 a submission of claims for substantial unanticipated costs with respect to the work performed to completion to a maximum amount of \$128 million. It is expected that B.C. Hydro will deny liability for the substantial part of all the claims made. Should any amount be paid by B.C. Hydro as a result of the claims, it will be capitalized as part of construction expenditures and included in fixed assets.

**Note 12 Interim Rate Increase:**

Effective April 15, 1984, B.C. Hydro implemented an interim electric rate increase of 6.5%. This interim rate increase is subject to refund with interest, in whole or in part, if so ordered by the Commission. Revenue derived from the rate increase for the period April 15, 1984 to March 31, 1985 amounted to approximately \$77 million.

**Note 13 Extraordinary Item:**

In July 1982, the Hat Creek project was deferred indefinitely as a result of rising project costs and reduced rates of growth in projected electrical demand. Project costs, including the costs of demobilization, in the amount of \$77 million, have been written off and shown as an extraordinary item in the statement of income and earnings employed in the business for the year ended March 31, 1983.

**Note 14 Segment Information:**

B.C. Hydro is engaged in the operation of three principal services: generation, transmission and distribution of electricity; distribution of gas; and provision of a rail service.

Most expenses are directly attributable to specific services and common expenses are allocated among the services. Export surplus expenses include only direct costs, namely transmission charges and water rentals.

Identifiable assets are those assets that are used in each service's operations. Corporate assets are principally temporary investments and unamortized deferred charges.

	Electric						Gas			Rail *			Sundry			Combined		
	Domestic			Export Surplus			Total			Electric			Gas			Rail *		
	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983
Year ended March 31 (in millions)	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983	1985	1984	1983
Revenues	\$1,331	\$1,155	\$1,075	\$182	\$75	\$ 97	\$1,513	\$1,230	\$1,172	\$415	\$361	\$332	\$25	\$ 22	\$ 22	\$ 1,953	\$1,613	\$1,528
Expenses:																		
Employee compensation	203	169	164	—	—	—	203	169	164	38	34	35	12	11	13	253	214	212
Materials and services	54	53	53	—	—	—	54	53	53	8	6	7	4	5	5	66	64	65
Energy	14	26	25	26	3	4	40	29	29	283	247	233	—	—	—	333	263	262
Taxes	271	242	230	17	9	14	288	251	244	9	9	8	2	2	2	299	262	254
Depreciation	165	154	144	—	—	—	165	154	144	12	12	11	2	2	2	179	168	157
Amortization and write-off of deferred development studies	50	70	21	—	—	—	50	70	21	—	2	1	—	—	—	50	72	22
Total expenses	757	714	637	43	12	18	800	726	655	350	310	295	20	20	22	1,170	1,056	972
Operating income before finance charges	574	441	438	139	63	79	713	504	517	65	51	37	5	2	—	783	557	556
Finance charges	727	479	441	—	—	—	727	479	441	41	37	34	3	3	3	772	520	479
Operating income (loss)	(153)	(38)	(3)	139	63	79	(14)	25	76	24	14	3	2	(1)	(3)	(1)	1	77
Adjustment for rate stabilization	60	60	60	(68)	(46)	(79)	(8)	14	(19)	—	—	—	—	—	—	(8)	14	(19)
Income (loss) before extraordinary item	\$ (93)	\$ 22	\$ 57	\$ 71	\$ 17	\$ —	\$ (22)	\$ 39	\$ 57	\$ 24	\$ 14	\$ 3	\$ 2	\$ (1)	\$ (3)	\$ (1)	\$ (1)	\$ 58
Identifiable assets							\$8,792	\$8,621	\$8,062	\$562	\$523	\$450	\$45	\$ 53	\$ 50	\$12	\$ 12	\$ 14
Corporate assets																		
Total assets							\$ 442	\$ 781	\$ 997	\$ 40	\$ 33	\$ 37	\$ 1	\$ 5	\$ 1	\$ 1	\$ 1	\$ 2
Expenditures on fixed assets																\$10,579	\$9,593	\$8,910
																1,168	384	334

\* The 1985 Rail revenues include a \$5 million gain on the sale of property; revenues from normal operations are \$20 million and operating loss \$3 million.



**BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY**

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY  
FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION  
AS AT MARCH 31, 1985

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## FINANCIAL STATEMENTS

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SCHEDULE OF REVENUE AND EXPENDITURE AND CHANGES IN FUND BALANCES  
ANCILLARY SERVICES FUND (PREPARED WITHOUT AUDIT)

SCHEDULE 1



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of the  
British Columbia Institute of Technology, and

To the Minister of Education  
Province of British Columbia:

I have examined the balance sheet of the British Columbia Institute of Technology as at 31 March 1985, the statement of revenue and expenditure and changes in fund balances, and the statements of revenue and expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institute as at 31 March 1985 and the results of its operations and the changes in its fund balances for the year then ended in accordance with accounting principles described in note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
19 June 1985

## BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

EXHIBIT A

## BALANCE SHEET

as at March 31, 1985

	Operating Fund	Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds	1985 Total	March 31 1984 Total
<b>ASSETS</b>							
Cash and Term Deposits	\$5,701,637	\$ 70,819		\$ 11,318		\$ 6,055,743	\$ 8,354,043
Bonds (Note 2)		656,051			\$271,969	291,338	291,338
Accounts Receivable	672,147		\$286,374	2,285	5,888	1,624,745	2,272,877
Loans Receivable		48,512				48,512	49,286
Inventories	124,886		350,978			475,864	470,071
Prepaid Expenses	191,349					191,349	157,067
Interfund Advances	(316,433)	276,397	(451,322)	349,646	\$11,037	-	-
Equipment, Buildings and Improvements (Note 3)				30,423,755		30,423,755	27,054,468
	\$6,373,586	\$1,051,779	\$188,030	\$30,787,004	\$11,037	\$39,111,306	\$38,649,150
<b>LIABILITIES AND EQUITY</b>							
Accounts Payable and Accrued Liabilities (Note 4)	\$4,482,643	\$ 447,452	\$223,652	\$ 97,145	\$ 3,461	\$ 5,254,353	\$ 7,831,554
Holdbacks Payable							362,662
Deferred Income							1,668,699
Temporary Borrowings (Note 5)	1,862,374		12,068			1,874,442	5,109,241
Debentures Payable (Note 6)				2,839,398		2,839,398	3,098,500
Mortgage Payable (Note 7)				6,090,760		6,090,760	2,495,418
Equity in Equipment, Buildings and Improvements				2,495,418		2,495,418	19,289,472
Fund Balances (Exhibit B)	28,569	604,327	(47,690)	(25,189)	7,576	1,267,463	1,712,150
	\$6,373,586	\$1,051,779	\$188,030	\$30,787,004	\$11,037	\$39,111,306	\$38,649,150

Commitments (Note 8)

Approved by the Board of Governors:



Malcolm C.J. Wickson, LL.B.  
Chairman, Board of Governors



D.M. Macpherson, C.A.  
Vice President, Administration,  
and Bursar



EXHIBIT C

## BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

## STATEMENT OF REVENUE

for the year ended March 31, 1985

	Operating Fund		Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds		March 31	
	General Purpose	Temporary Courses	Total Fund			Trust	Donated	1985 Total	1984 Total
Province of British Columbia									
Operating Grants	\$36,034,231	\$ 17,663	\$36,051,894	\$ 60,000				\$36,111,894	\$39,295,737
Debt Service Grants				1,685	\$ 657,413			659,098	686,881
Capital Grants				1,245,565	454,715			1,245,565	3,265,200
Debtenture Payment Grants								454,715	-
Tuition Fees	9,402,512		9,402,512	68,144				9,470,656	7,988,495
Gifts and Donations							\$526,343	526,343	253,208
Sales and Rentals									
Bookstore				\$1,618,808				1,618,808	1,498,324
Campus Food Services				649,781				649,781	800,793
Housing				776,060				776,060	759,466
Investment Income	437,199		437,199	134,436	11,609		59,768	643,012	752,885
Recoveries and Other Income	1,458,632		1,458,632	754,908	273,885	\$70,238		3,125,754	2,861,414
Proceeds from Loan								-	238,000
Capital Funding					930,313			930,313	616,329
TOTAL	\$47,332,574	\$ 17,663	\$47,350,237	\$2,264,738	\$3,612,740	\$70,238	\$586,111	\$56,211,999	\$59,016,732

EXHIBIT D

## BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

## STATEMENT OF EXPENDITURE

for the year ended March 31, 1985

	Operating Fund		Special Purpose Fund	Ancillary Services Fund	Capital Fund	Trust Funds		March 31	
	General Purpose	Temporary Courses	Total Fund			Trust	Donated	1985 Total	1984 Total
EXPENDITURE									
Salaries and Wages	\$32,497,676	\$ 14,770	\$32,512,446	\$ 620,131		\$18,117		\$34,110,636	\$36,746,348
Employee Benefits	4,575,049	1,269	4,576,318	52,059		887		4,776,960	4,972,386
Office Sales				1,551,129				1,551,129	1,638,411
Interest and Bank Charges	105,443		105,443	1,685		41,109		977,992	1,195,239
Insurance	99,136		99,136	11,782				99,918	102,163
Postage and Delivery	202,679		202,679	11,965				215,971	278,989
Printing and Advertising	376,442		376,442	22,778				442,409	470,591
Professional Fees	195,753		195,753	34,604		1,496		230,357	308,995
Rentals and Maintenance									
Facilities	669,675		669,675	139,512		728		929,358	1,285,099
Equipment	2,574,910	1,000	2,575,910	203,348				2,873,118	2,663,347
Supplies and Contract Services	2,571,495	298	2,571,793	95,834		352		2,816,405	2,675,578
Travel and Training		326	706,475	41,012		1,146		759,414	749,910
Utilities and Communications	1,361,929		1,361,929	9,810				1,465,117	1,249,039
Expendable Equipment				61,172	20,972			82,144	282,839
Major Equipment				1,563,873	1,066,111		\$ 19,025	2,649,009	2,809,874
Buildings and Improvements				50,886	931,320			982,206	2,669,048
Loan Repayments					271,833			375,535	324,760
Debt Service Payments					466,323			466,323	-
Student Awards							275,367	275,367	260,080
Donation (Note 9)							310,000	310,000	-
Other Expenditures							2,172	307,321	225,794
	114,685		114,685	169,150	13,166	3,206			
		\$ 17,663	\$46,068,684	\$3,078,601	\$3,151,303	\$67,041	\$606,564	\$56,656,686	\$60,573,390
TOTAL	\$46,051,021								

Note 1. Significant Accounting PoliciesBRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1985

## a) General

These financial statements have been prepared in accordance with generally accepted accounting principles except for the following:

- i) Equipment, building and improvement expenditures are expensed in the year acquired and are also recorded, at cost, on the balance sheet.
- ii) No provision is made for amortization and depreciation on improvements, buildings and equipment.
- iii) No provision is made for the current portion of accrued vacation pay (Note 4).
- iv) No provision is made for accrued interest on long term debt.
- v) Books and periodicals for the library are charged as an expense in the year acquired.
- vi) Fund accounting procedures are followed.

## b) Fund Accounting

Available resources and their related expenditures are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the Institute, and determinations made by the Board of Governors. In the financial statements, funds with similar characteristics have been combined into major fund divisions which are described below:

- i) General Purpose Operating - amounts received and used in the general operation of the Institute.
- ii) Temporary Courses Operating - amounts received and used in presenting courses which were specifically approved and specially funded by the Province of British Columbia.
- iii) Special Purpose - amounts received and used in the provision of financial aid and in completing specific projects which were undertaken by the Institute and specially funded by donors, governments or appropriations from the General Purpose Operating Fund.
- iv) Ancillary Services - amounts received and used in the bookstore, Campus Food and Residence operations.
- v) Capital - amounts received and used in the acquisition of capital assets and in the servicing of authorized capital borrowings.
- vi) Trust - amounts received and used as authorized and directed under trust arrangements.
- vii) Donated - amounts received and used in the provision of financial awards and for acquisition of equipment.

## c) Specific Items

- i) Inventories consist of general supplies, books and food, recorded at the lower of cost and net realizable value.
- ii) Equipment with a unit value of less than \$250 is charged as an expense in the year acquired.
- iii) The portion of tuition fees relating to the period after March 31, 1985 is recorded as deferred income.
- iv) Ancillary Services do not include certain administrative overhead costs.
- v) Termination salary grants are charged against operations on an accrual basis (Note 4).

## BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

## NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1985

## Note 2. Bonds

Interest is earned at 11 3/4% per annum on the face amount paid semi-annually on February 1 and August 1 each year. These bonds mature February 1, 2037.

	1985	1984
Face Amount	\$310,000	\$310,000
Cost	\$291,338	\$291,338
Market Value	\$298,003	\$276,675

## Note 3. Equipment, Buildings and Improvements

	1985	1984
Equipment	\$14,607,198	\$12,220,117
Buildings	\$15,056,516	\$11,622,208
Improvements	\$ 760,041	\$ 3,212,143
	<u>\$30,423,755</u>	<u>\$27,054,468</u>

All Institute campus land and certain buildings occupied by the Institute are the property of the Province of British Columbia and are provided free of charge except that a portion of the land for the residences is leased from the Province of British Columbia at \$25 per annum terminating October, 2037.

All equipment acquired prior to April 1, 1975 for use by the Institute was previously owned by the Province of British Columbia. During the year ended March 31, 1978, title was transferred at no cost to the Institute. This equipment is recorded at the nominal value of \$1.

During the year ended March 31, 1985, additional equipment previously owned by the Province of British Columbia was donated to the Institute. For insurance purposes, the replacement value of this equipment has been valued at \$1,000,000. This equipment is recorded at the nominal value of \$1.

Buildings include \$1,200,769 advanced by the Institute for the construction of teaching facilities at St. Paul's Hospital. As the Institute has no legal title to these facilities, this amount will be amortized by an amount equal to the annual sinking fund balance accumulated to retire the related debentures payable.



BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1985

**Note 4. Accrued Vacation Pay and Accrued Termination Salary Grant**

The vacation pay liability is accrued for approved vacation days carried forward from the previous academic year. The liability does not include vacation earned in the period July 1 to the end of the current fiscal year.

The termination salary grant liability is accrued for employees who are members of the British Columbia Government Employees Union. In accordance with the provision in their collective agreement, each employee is entitled to receive a salary grant on termination of employment for an amount equivalent to 50% of sick leave credits earned from the date of employment at the rate of pay on the date of termination.

This accounting treatment is not in compliance with the Policy on accrual accounting issued by the Ministry of Education for the Province of British Columbia. However, the Institute has adopted accounting treatments which provide for recognition of charges against operations in the year in which they occurred. Charges have been funded by Investment Income. The liabilities are fully funded.

The amounts of liability included in Accounts Payable and Accrued Liabilities are as follows:

	March 31, 1985	March 31, 1984
Vacation Pay Liability	\$ 828,561	\$ 935,772
Termination Salary Grant Liability	599,895	522,408
	<u>\$1,428,456</u>	<u>\$1,458,180</u>

The net effects on operations are as follows:

	For the year ending	
	March 31, 1985	March 31, 1984
Vacation Pay	\$ (107,211)	\$ (21,259)
Termination Salary Grant	77,487	(55,593)
	<u>\$ (29,724)</u>	<u>\$ (76,852)</u>

## BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY

## NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 1985

Note 5. Temporary Borrowings

Bank loans payable on demand at the prime bank lending rate under the provisions of the Educational Institution Capital Finance Act.

Bank loans payable on demand at the prime bank lending rate.

Bank loan payable on demand at the prime bank lending rate. This loan is to be repaid out of future rental income from residences.

Temporary borrowings under Capital Project Certificates of Approval are to be repaid out of proceeds from debenture issues or by grants from the Province of British Columbia.

	1985	1984
	-	\$3,049,408
	-	259,833
	\$1,700,000	1,800,000
	1,139,398	-
	<u>\$2,839,398</u>	<u>\$5,109,241</u>

Note 6. Debentures Payable

Debentures payable are issued to the British Columbia Educational Institutions Capital Financing Authority. The proceeds from the debentures are used to retire temporary borrowings.

Terms are as follows:

	<u>Maturity Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Accumulated Sinking Fund Payments</u>	<u>Balance March 31, 1985</u>	<u>March 31, 1984</u>	<u>Annual Payments</u>
#1	May 02, 2003	11.53%	\$2,496,000	\$ 61,573	\$2,434,427	\$2,496,000	\$342,331
#2	June 20, 1993	11.75%	602,500	46,167	556,333	602,500	112,384
#3	January 04, 2005	12.08%	3,100,000	-	3,100,000	-	442,221
			<u>\$6,198,500</u>	<u>\$107,740</u>	<u>\$6,090,760</u>	<u>\$3,098,500</u>	<u>\$896,936</u>

Annual payments include interest and sinking fund installments and are paid to the British Columbia Educational Institutions Capital Financing Authority from grants received from the Province of British Columbia. These debentures can be recalled by the Chairman of the British Columbia Educational Institutions Capital Financing Authority by giving not less than five (5) months' notice in writing.

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGYNOTES TO FINANCIAL STATEMENTSfor the year ended March 31, 1985Note 7. Mortgage Payable

The student residence is financed by a 9 1/2% fixed rate mortgage, repayable at \$19,721 (principal and interest) per month for the remaining term of the mortgage maturing August, 2027.

Note 8. Commitments

Commitments under Capital construction contracts amount to \$107,799 at March 31, 1985 (1984 - \$526,629).

Commitments for lease and rental agreements amount to \$248,652 per annum until August 31, 1988.

Note 9. Donation

The donation expenditure reflects amounts paid over to the Vancouver Foundation to establish an endowment fund, the income of which is to be used to provide student financial aid at the Institute. The fund balance is \$310,000.

Note 10. Comparative Figures

Certain 1984 comparative figures have been restated to conform with the presentation adopted for the current year. These restatements have no effect on the Excess of Revenue over Expenditure or Fund Balances.

Note 11. Subsequent Event

On May 31, 1985, the Minister of Education announced that Pacific Vocational Institute is to be amalgamated with the British Columbia Institute of Technology and that the amalgamated entity will operate under the name of British Columbia Institute of Technology. The effective date has not yet been determined.

SCHEDULE 1  
(PREPARED WITHOUT AUDIT)

BRITISH COLUMBIA INSTITUTE OF TECHNOLOGY  
ANCILLARY SERVICES FUND

SCHEDULE OF REVENUE AND EXPENDITURE AND CHANGES IN FUND BALANCES

for the year ended March 31, 1985

	Bookstore	Campus Food Services	Residences	Ancillaries Administration	Total
	1985	1984	1985	1984	1985
<b>REVENUE</b>					
Bookstore Sales	\$1,618,808	\$1,498,324			\$1,618,808
Campus Food Sales		\$ 649,781	\$ 800,793		\$1,498,324
Housing					649,781
Other Income			\$776,060	\$759,466	776,060
					759,466
					568,091
					484,375
					3,612,740
					3,542,958
<b>EXPENDITURE</b>					
Salaries and Wages	160,428	142,849	713,139	595,275	959,942
Employee Benefits	27,655	23,631	108,758	103,423	147,696
Operating Costs	1,267,720	1,166,111	283,409	472,300	1,551,129
Interest and Bank Charges					1,638,411
Postage and Delivery	1,327	6,721	448,177	448,475	448,177
Printing and Advertising	37,326	34,341	1,652	1,388	6,721
Rentals and Maintenance			2,715	2,376	41,693
Facilities					726
Equipment	22,827	862	25,933	23,439	119,443
Supplies and Contract Services	20,719	1,545	3,349	9,701	63,184
Travel and Training	8,452	17,061	63,352	91,005	53,857
Utilities and Communications	2,817	4,150	1,388	3,236	148,426
Loan repayments	1,473	945	702	661	10,781
Other Expenditures	1,661	1,824	1,622	3,093	93,378
			103,702	121,260	72,667
			1,659	4,747	103,702
			1,659	4,747	121,260
					9,664
					9,664
					3,608,640
					3,608,640
Excess of Revenue over Expenditure	1,552,405	1,400,040	1,203,521	86,603	(71,753)
Fund Balances, Beginning of Year	66,403	98,284	14,568	(18,353)	(65,682)
					(41,051)
					(42,912)
Interfund Transfers	218,082	119,798	(181,063)	(162,710)	
					65,114
					67,543
Interfund Transfers	(281,938)		119,265	164,673	
Fund Balances, End of Year	\$ -	\$ 218,082	\$ (47,690)	\$ (181,063)	\$ (47,690)
					\$ (41,051)
					\$ (41,051)

**BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH****BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH****REPORT OF THE COMPTROLLER GENERAL**

The financial statements of British Columbia Liquor Distribution Branch have been prepared from, and accurately reflect, the financial records of the Government of British Columbia. Although an auditor's opinion has not been expressed on these financial statements, the accounts of the Branch have been examined as part of the audit of the Government's accounts.



D.B. Marson  
Comptroller General

Victoria, British Columbia  
July 10, 1985

## BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

BALANCE SHEET AS AT MARCH 31, 1985ASSETS

	<u>1985</u>	<u>1984</u>
<b>CURRENT ASSETS</b>		
Cash	\$11,410,129	\$ 8,964,188
Accounts receivable	2,240,349	1,134,257
Inventories	<u>43,103,917</u>	<u>37,244,846</u>
	<u>56,754,395</u>	<u>47,343,291</u>
<b>FIXED ASSETS, at cost (note 3)</b>	33,679,731	32,715,187
Less accumulated depreciation	<u>21,718,516</u>	<u>18,534,161</u>
	<u>11,961,215</u>	<u>14,181,026</u>
	<u><u>\$68,715,610</u></u>	<u><u>\$61,524,317</u></u>

LIABILITIES

## CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$42,290,249	\$37,228,065
------------------------------------------	--------------	--------------

## PROVINCE OF BRITISH COLUMBIA

Advance	<u>26,425,361</u>	<u>24,296,252</u>
	<u><u>\$68,715,610</u></u>	<u><u>\$61,524,317</u></u>


Commitments and Contingencies (note 5)

The accompanying notes and Schedule 1 are an integral part of these financial statements.

Approved By:



General Manager



Director of Finance

BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH  
STATEMENT OF INCOME FOR THE YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
SALES (note 4)	\$887,183,912	\$857,511,493
COST OF MERCHANDISE SOLD	<u>483,245,840</u>	<u>462,617,162</u>
	403,938,072	394,894,331
PROVINCIAL MALT LEVY (note 4)	<u>50,950,686</u>	<u>50,830,426</u>
	454,888,758	445,724,757
OPERATING EXPENSES (Schedule 1)	<u>103,114,123</u>	<u>99,893,324</u>
	351,774,635	345,831,433
OTHER INCOME	<u>1,904,209</u>	<u>3,687 440</u>
NET INCOME	<u><u>\$353,678,844</u></u>	<u><u>\$349,518,873</u></u>

STATEMENT OF CHANGES IN PROVINCE OF BRITISH COLUMBIA ADVANCE  
FOR THE YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
Balance at beginning of year	\$ 24,296,252	\$ 21,804,237
Net Income	353,678,844	349,518,873
Cash payments to Provincial Treasury	<u>(351,549,735)</u>	<u>(347,026,858)</u>
BALANCE AT END OF YEAR	<u><u>\$ 26,425,361</u></u>	<u><u>\$ 24,296,252</u></u>

## BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
FUNDS DERIVED FROM:		
Operations		
Net Income	\$353,678,844	\$349,518,873
Add charges (credits) not affecting working capital		
Depreciation	3,575,179	3,922,960
Gain on disposal of fixed assets	<u>(153,529)</u>	<u>(1,662,166)</u>
	357,100,494	351,819,667
Proceeds on disposal of fixed assets	<u>164,762</u>	<u>1,662,766</u>
	<u>357,265,256</u>	<u>353,482,433</u>
FUNDS APPLIED TO:		
Acquisition of fixed assets	1,366,601	3,262,343
Cash payments to the Provincial Treasury	<u>351,549,735</u>	<u>347,026,858</u>
	<u>352,916,336</u>	<u>350,289,201</u>
INCREASE IN WORKING CAPITAL	4,348,920	3,193,232
WORKING CAPITAL AT BEGINNING OF YEAR	<u>10,115,226</u>	<u>6,921,994</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 14,464,146</u>	<u>\$ 10,115,226</u>

WORKING CAPITAL

Current Assets	\$ 56,754,395	\$ 47,343,291
Current Liabilities	<u>42,290,249</u>	<u>37,228,065</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 14,464,146</u>	<u>\$ 10,115,226</u>



## BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 19851. STATUS OF THE BRANCH

The Liquor Distribution Branch obtains its authority for operation from the Liquor Distribution Act which is administered by the Ministry of Consumer and Corporate Affairs. As stated in Section 2 of this Act, the Branch has the sole right to purchase both in and out of the Province liquor for resale and reuse in the Province in accordance with the provisions of the Importation of Intoxicating Liquors Act (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

As prescribed by Section 18 of the Liquor Distribution Act, the financial statements of the Branch are prepared in accordance with generally accepted accounting principles.

The financial transactions of the Branch are also included in the financial statements of the Combined General Fund and Special Funds of the Government of the Province of British Columbia. The amounts are adjusted for differences in the accounting policies of the Branch from those of the Government.

Significant accounting policies followed in the preparation of these financial statements are:

- a) Inventories are valued at the latest landed cost.
- b) Fixed assets are depreciated on a straight line basis as follows:
  - Buildings - 7 1/2% per annum
  - Leasehold Improvements - a minimum of 10% per annum or a rate sufficient to write off the cost over the remaining life of the respective lease.
  - Furniture, Fixtures and Equipment - 25% per annum.

## BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 1985

3. <u>FIXED ASSET</u>	<u>1985</u>		<u>1984</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 1,122,657	\$ -	\$ 1,124,183	\$ -
Buildings	11,260,690	6,086,992	11,382,755	5,652,725
Leasehold improvements	4,610,678	2,030,645	4,584,261	1,478,465
Furniture, fixtures and equipment	<u>16,685,706</u>	<u>13,600,879</u>	<u>15,623,988</u>	<u>11,402,971</u>
	<u>33,679,731</u>	<u>21,718,516</u>	<u>32,715,187</u>	<u>18,534,161</u>
NET BOOK VALUE	<u>\$11,961,215</u>		<u>\$14,181,026</u>	

4. SALES

The Branch is responsible for sales of liquor in the Province. The majority of liquor is sold by the Branch itself; however, the Branch has authorized manufacturers in certain situations to sell directly to licensees and consumers.

	<u>1985</u>	<u>1984</u>
Total Branch sales	\$ 887,183,912	\$ 857,511,493
Less non-alcoholic products	<u>752,537</u>	<u>810,932</u>
	<u>886,431,375</u>	<u>856,700,561</u>
Other authorized sales not included in these financial statements:		
Direct deliveries to licensees by Brewers' agent	157,575,250	152,875,111
Brew pubs	240,703	104,354
Commercial wineries	<u>2,830,186</u>	<u>2,139,666</u>
	<u>160,646,139</u>	<u>155,119,131</u>
TOTAL SALES OF LIQUOR IN THE PROVINCE	<u>\$1,047,077,514</u>	<u>\$1,011,819,692</u>

The Branch has authorized the brewers' agent to sell directly to licensees. The Branch has also authorized brew pubs to manufacture and sell directly to the public. The Provincial Malt Levy reported on the income statement represents the margin on these sales.

The Branch has agreements with commercial wineries which allow them to sell directly to the public. Sales by these commercial wineries as reported above will decrease as they enter into consignment agency contracts with the Branch. This will result in the inclusion of the commercial winery sales in the sales of the Branch.

Total sales of liquor in the Province do not include subsequent resale by licensed establishments.

## BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

NOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED MARCH 31, 19855. COMMITMENTS AND CONTINGENCIES

## a) Superannuation Fund

Employees of the Branch contribute to the Public Service Superannuation Fund up to 7% of their salaries for basic pension purposes. This includes a portion for cost-of-living indexed increases in pension benefits. The employer contributions to the Superannuation Fund include an amount equal to the employees' contribution plus an additional 2.5% of gross payroll.

An actuarial evaluation of the Public Service Superannuation Fund was made at March 31, 1980. Details of the unfunded liability are described in the Public Service Superannuation Fund financial statements included in the Public Accounts. The portion of the unfunded liability attributable to the Liquor Distribution Branch was not determined by the actuary.

## b) Federal Taxes

The Branch maintains inventory in its bonded warehouse for which Federal Taxes have neither been paid nor recorded. As at March 31, 1985, the future liability for these taxes approximates \$7,200,000. These taxes are payable when inventory is shipped from the bonded warehouse.

## c) Agents' Stocking Program

The Branch has authorized suppliers' agents to import and warehouse liquor for subsequent resale to the Branch. Under this arrangement, the Branch has a contractual obligation to purchase all inventories held by the agent should he opt out of the program. The obligation of the Branch should all agents choose to terminate their contracts, totals approximately \$20,077,000 for agents and \$12,040,000 for federal taxes as at March 31, 1985.

## d) Lease Premises

Total commitments as at March 31, 1985 for lease of premises are as follows:

Year ended March 31, 1986	\$ 5,916,000
1987	5,236,000
1988	4,822,000
1989	4,181,000
1990	3,556,000
Subsequent years	<u>9,713,000</u>
TOTAL	<u>\$33,424,000</u>

6. SUBSEQUENT EVENT

Subsequent to March 31, 1985, the Minister responsible for the Branch has announced a policy change which will allow licensed hotels and neighbourhood pubs to set up stores to sell refrigerated beer, cider and B.C. wines on the same site as their existing premises and also permit the establishment of B.C. winery shops. The financial effect, if any, on Branch revenues cannot be determined at this time.

Schedule 1

## BRITISH COLUMBIA LIQUOR DISTRIBUTION BRANCH

## OPERATING EXPENSES FOR THE YEAR ENDED MARCH 31, 1985

	Warehouse	Retail Store	Administration	1985 Total	1984 Total
Salaries and Wages	\$ 4,341,547	\$48,629,322	\$ 7,473,304	\$ 60,444,173	\$59,391,448
Superannuation	355,139	3,621,499	550,442	4,497,080	4,218,361
Unemployment Insurance	117,552	1,309,331	199,009	1,625,892	1,412,997
Dental and Extended Health	76,193	848,657	128,989	1,053,839	1,076,801
Canada Pension	65,395	728,394	110,711	904,500	791,515
B.C. Medical	50,130	558,362	84,867	693,359	623,502
Workers' Compensation Board	42,355	471,762	71,704	585,821	520,685
Long Term Disability	31,295	348,576	52,981	432,852	394,875
Group Insurance	17,991	200,392	30,459	248,842	235,056
B.C. Housing & Emp. Dev. Bonds	-	-	-	-	317,328
Rents	228,226	7,859,169	210,484	8,297,879	7,238,403
Data Processing	-	-	4,028,521	4,028,521	3,843,139
Depreciation	775,877	2,302,004	497,298	3,575,179	3,922,960
Freight to Stores	-	3,564,018	-	3,564,018	3,657,258
Light, Water and Fuel	418,111	1,605,658	2,380	2,026,149	1,806,854
Agency Commissions	-	1,741,401	-	1,741,401	1,411,122
Sundries	181,698	324,918	1,187,802	1,694,418	1,461,887
Repairs and Maintenance	74,599	792,584	385,565	1,252,748	1,356,055
Travelling	11,556	417,672	732,686	1,161,914	916,755
Store Wrapping Supplies	-	1,041,378	-	1,041,378	974,158
Telephone and Telegraph	52,329	176,683	663,761	892,773	642,921
Printing, Stationery and Postage	2,892	41,865	782,873	827,630	910,907
Janitorial and Scavenging	30,270	577,281	157,456	765,007	689,557
Armoured Car Service	-	-	539,399	539,399	610,898
Property Charges	355,866	87,211	6,614	449,691	421,078
Bank Charges	-	-	364,765	364,765	373,066
Warehouse Equipment Costs	238,647	-	-	238,647	443,230
Staff Benefits	1,552	11,101	104,600	117,253	126,489
Litter Act - Container Disposal Cost	-	-	48,995	48,995	104,019
	<u>\$ 7,439,220</u>	<u>\$77,259,238</u>	<u>18,415,665</u>	<u>\$103,114,123</u>	<u>\$99,893,324</u>

## BRITISH COLUMBIA LOTTERY CORPORATION

BRITISH COLUMBIA LOTTERY CORPORATION

### AUDITORS' REPORT

To the Directors of the British Columbia Lottery Corporation

We have examined the Balance Sheet of the British Columbia Lottery Corporation as at March 31, 1985. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at March 31, 1985 in accordance with generally accepted accounting principles.

Kamloops, B.C.

June 28, 1985



Chartered Accountants

## BRITISH COLUMBIA LOTTERY CORPORATION

## BALANCE SHEET

MARCH 31, 1985

## ASSETS

## CURRENT

Cash	\$ 320,654
Receivables - Note 2	66,553
Settlement receivable - Note 3	2,115,695
Deferred administration costs - Note 4	618,305
Deferred draw costs - Note 5	258,936
	<u>3,380,143</u>

LEASEHOLDS, EQUIPMENT &amp; FURNISHINGS - Note 6

21,939,633\$ 25,319,776

## LIABILITIES

## CURRENT

Payables & accruals - Note 7	\$ 9,641,402
Deferred revenue - Note 5	2,396,041
	<u>12,037,443</u>

ADVANCES PAYABLE - Note 8

13,282,332

CONTINGENT LIABILITY - Note 9

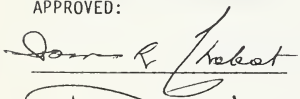
25,319,775


## SHAREHOLDER'S EQUITY

SHARE CAPITAL - Note 10

1  
\$ 25,319,776

APPROVED:

 Director

 Director

## BRITISH COLUMBIA LOTTERY CORPORATION

## NOTES TO THE BALANCE SHEET

MARCH 31, 1985

## 1. OPERATIONS

The British Columbia Lottery Corporation was incorporated pursuant to the Company Act of British Columbia on October 25, 1984 to conduct and manage lottery games within British Columbia and to co-operate in the conduct and marketing of national and regional games with other Provinces of Canada.

By an agreement dated March 29, 1985, the Province of British Columbia withdrew from the Western Canada Lottery Foundation and designated the Corporation as the body to function on its behalf. Similarly, the Corporation has been designated to represent the interest of the Province of British Columbia in the Interprovincial Lottery Corporation which operates games on behalf of all Canadian Provinces.

Operations commenced April 1, 1985 and the first draws conducted by the Corporation were held on April 3, 1985.

## 2. RECEIVABLES

Receivables consist of settlements due on sales of conventional ticket games which will be drawn subsequent to April 1, 1985.

## 3. SETTLEMENT RECEIVABLE

Under the agreement with the Western Canada Lottery Foundation referred to in Note 1, the Foundation has marketed tickets for a new ticket game called "Pacific Express" prior to April 1, 1985. The new game is exclusively operated by British Columbia Lottery Corporation with the initial draw held April 3, 1985. At March 31, 1985, tickets for the first three draws were in circulation and the settlement receivable primarily represents proceeds of sales of those tickets.

## 4. DEFERRED ADMINISTRATION COSTS

Administrative costs incurred prior to the first game draw under the auspices of the Corporation on April 3, 1985 have been accumulated and will be charged to operations in the first year.

## 5. DEFERRED DRAW COSTS/DEFERRED REVENUE

All costs and sales revenues will be accounted for on a deferred basis. Direct costs identified with each particular draw will be accumulated until the draw date, at which time they will be recognized as expenses of the draw. Similarly, proceeds from sales of game tickets and selections will be realized as income on the relevant draw date.

## BRITISH COLUMBIA LOTTERY CORPORATION

## NOTES TO THE BALANCE SHEET

MARCH 31, 1985

## 6. LEASEHOLDS, EQUIPMENT &amp; FURNISHINGS

Premises modifications	\$ 4,771,734
Computer equipment and systems	9,780,344
Computer terminals	5,076,872
Consulting fees	622,000
Equipment & furnishings	<u>1,688,683</u>
	<u>\$ 21,939,633</u>

By an agreement dated March 29, 1985, the Corporation purchased all operating equipment and assets of the Western Canada Lottery Foundation located in British Columbia for the nominal sum of \$10.

All other assets were purchased under normal trade terms and are recorded at cost.

## 7. PAYABLES AND ACCRUALS

Trade accounts	\$ 4,829,508
Contracts	2,641,980
Federal sales and excise taxes	1,225,940
Social Security taxes	<u>943,974</u>
	<u>\$ 9,641,402</u>

## 8. ADVANCES PAYABLE

Initial investment in leaseholds, equipment and furnishings were facilitated by advances from the British Columbia Lottery Fund which will be repaid from operations. The advances are not subject to interest nor are there any specific repayment terms.



## BRITISH COLUMBIA LOTTERY CORPORATION

## NOTES TO THE BALANCE SHEET

MARCH 31, 1985

## 9. CONTINGENT LIABILITY

The agreement by which British Columbia withdrew from the Western Canada Lottery Foundation, dated March 29, 1985, requires that the Corporation assume a contingent liability pertaining to potential prize claims for games dated prior to April 1, 1985.

Western Canada Lottery Foundation will institute an interest bearing fund equal to the total prize liability recorded in the financial statements of the Foundation as at March 31, 1985. The fund will be reduced by payments for prizes awarded on draws dated prior to March 31, 1985 and also by the value of bonus prizes declared during the 1985-86 fiscal year to a maximum of \$1,500,000.

In the event that total claims from draw prizes and bonus draws exceeds the total fund, the corporation will be required to contribute one-half of the deficiency.

Management considers the possibility of extra payments being required as highly unlikely.

## 10. SHARE CAPITAL

Authorized  
10,000 Common shares without par value

Issued  
1 Common share

This share structure existed prior to the event referred to in Note 11.

## 11. SUBSEQUENT EVENT

On June 28, 1985, Royal Assent was given to the "Lottery Corporation Act" of British Columbia which continues the Corporation as a Crown Corporation established by statute, without share capital.

**B.C. PAVILION CORPORATION**

**Deloitte  
Haskins + Sells**

Chartered Accountants

Suite 2000  
1055 Dunsmuir Street  
P.O. Box 49279  
Four Bentall Centre  
Vancouver, B.C. V7X 1P4  
(604) 669-4466  
Telex 04-54414

To the Shareholder of  
B.C. Pavilion Corporation:

We have examined the balance sheet of B.C. Pavilion Corporation as at March 31, 1985 and the statements of receipts and expenditures and surplus and of changes in financial position for the period from incorporation, May 3, 1984, to March 31, 1985. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at March 31, 1985 and the results of its operations and the changes in its financial position for the period then ended in accordance with accounting principles outlined in Note 1 applied on a consistent basis.



Auditors

April 12, 1985

B.C. PAVILION CORPORATIONBALANCE SHEETMARCH 31, 1985ASSETS

## CURRENT ASSETS

Cash	\$ 850,859
Term deposits	15,330,240
Interest receivable	1,486,722
Prepaid expenses and sundry receivables	<u>24,591</u>
	17,692,412

## FIXED ASSETS (Note 2)

<u>102,069</u>
<u>\$17,794,481</u>

LIABILITIES

## CURRENT LIABILITIES

Bank loan	\$ 155,000
Accounts payable	<u>334,861</u>
	<u>489,861</u>

SHAREHOLDER'S EQUITY

SHARE CAPITAL (Note 3)	1
SURPLUS	<u>17,304,619</u>

Approved by the Board:

<u>17,304,620</u>
<u>\$17,794,481</u>

  
 .....Director  
  
 .....Director

B.C. PAVILION CORPORATIONSTATEMENT OF RECEIPTS AND EXPENDITURES AND SURPLUSPERIOD FROM INCORPORATION, MAY 3, 1984, TO MARCH 31, 1985

## RECEIPTS

Grant (Note 4)	\$19,000,000
Interest	1,949,981
Contributions	<u>77,198</u>
	<u>21,027,179</u>

## EXPENDITURES

Exhibitory	2,002,233
Salaries and benefits	613,042
Professional fees	212,977
Legal and audit	50,863
Consultants' fees	210,758
Travel and promotion	98,703
Corporate participation	18,432
Dues and subscriptions	10,652
Rents	136,784
Depreciation	49,976
Bank charges and interest	4,177
Insurance	2,252
Office and communication	118,356
Marketing and public relations	192,166
Sundry	<u>1,189</u>
	<u>3,722,560</u>

EXCESS OF RECEIPTS OVER EXPENDITURES FOR THE PERIOD  
AND SURPLUS, END OF PERIOD

\$17,304,619

B.C. PAVILION CORPORATIONSTATEMENT OF CHANGES IN FINANCIAL POSITIONPERIOD FROM INCORPORATION, MAY 3, 1984, TO MARCH 31, 1985

SOURCES (USES) OF FUNDS	
Excess of receipts over expenditures	\$17,304,619
Item not affecting working capital	
Depreciation	<u>49,976</u>
	17,354,595
Issue of share capital	1
Purchase of fixed assets	<u>(152,045)</u>
WORKING CAPITAL, END OF PERIOD	<u><u>\$17,202,551</u></u>

B.C. PAVILION CORPORATIONNOTES TO THE FINANCIAL STATEMENTSMARCH 31, 1985

The company was incorporated on May 3, 1984 and its objectives are to stage an entertaining presentation at Expo 86 and to promote the resources, technology, trade, investment and tourist potential of British Columbia through the exhibitry located in the B.C. Pavilion, which is owned by its parent company.

The company is intending to spend approximately \$44,000,000, of which \$27,000,000 is to complete the exhibitry and approximately \$4,000,000 as a fee for participation in the exposition.

## 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the following policies:

Fixed assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is provided as follows:

Motor vehicles	-	30% per annum declining-balance method
Furniture and equipment	-	30% per annum straight-line basis
Models	-	50% per annum straight-line basis

Receipts and expenditures

Receipts and expenditures are recorded on the accrual basis except for contributions which are recorded when received. Grants and contributions are to be used to offset all expenditures incurred or to be incurred in meeting the company's objectives.

## 2. FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Motor vehicles	\$ 29,330	\$ 8,799	\$ 20,531
Furniture and equipment	98,722	29,181	69,541
Models	<u>23,993</u>	<u>11,996</u>	<u>11,997</u>
	<u>\$152,045</u>	<u>\$49,976</u>	<u>\$102,069</u>

## 3. SHARE CAPITAL

Authorized  
10,000 common shares with no par value  
Issued and fully paid  
1 common share

\$ 1

B.C. PAVILION CORPORATIONNOTES TO THE FINANCIAL STATEMENTSMARCH 31, 1985

## 4. GRANT

A grant of \$19,000,000 from the Government of British Columbia via Expo 86 Corporation was received during the period.

## 5. INCOME TAXES

The company is exempt from income taxes as it is a wholly-owned subsidiary of B.C. Place Ltd., a Crown corporation.

## 6. RELATED PARTY TRANSACTIONS

Transactions with related parties not separately disclosed in these financial statements are as follows:

Expenses charged by B.C. Place Ltd.	\$933,796
Amounts included in accounts payable for B.C. Place Ltd.	\$272,698
Contribution received from British Columbia Buildings Corporation, a Crown corporation	\$ 77,198
Office and equipment rental charged by British Columbia Buildings Corporation	\$ 85,167

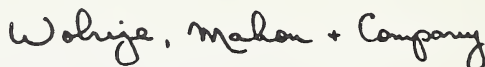
**BRITISH COLUMBIA PETROLEUM CORPORATION**AUDITORS' REPORT

To the Lieutenant-Governor in Council  
Province of British Columbia

We have examined the consolidated balance sheet of British Columbia Petroleum Corporation as at March 31, 1985, and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of British Columbia Petroleum Corporation as at March 31, 1985, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WOLRIGE, MAHONE & COMPANY



Chartered Accountants

900 West Hastings Street  
Vancouver, B.C.  
V6C 1W4

May 22, 1985



**Consolidated Balance Sheet**

March 31, 1985

	1985	1984
<b>ASSETS</b>		
<b>Current assets</b>		
Cash .....	\$ 30,086,632	\$ 26,339,185
Accounts receivable .....	97,042,792	52,862,808
Prepaid expenses .....	33,772	65,133
	<u>127,163,196</u>	<u>79,267,126</u>
Prepaid gas (Note 2) .....	112,139,002	105,818,083
Property account (Note 3) .....	<u>259,592</u>	<u>213,155</u>
<b>Other assets</b>		
Deferred receivable (Note 4) .....	42,465,279	32,454,594
Debt issue expenses .....	127,260	169,680
Mortgages .....	68,169	77,272
	<u>42,660,708</u>	<u>32,701,546</u>
	<u>\$282,222,498</u>	<u>\$217,999,910</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges .....	\$ 83,376,763	\$ 70,866,948
Liability for future gas supply (Notes 5 and 10) .....	30,475,487	34,241,135
Deferred liability (Note 6) .....	2,465,279	—
Long-term debt (Note 7) .....	30,000,000	30,000,000
Retained earnings .....	<u>135,904,969</u>	<u>82,891,827</u>
	<u>\$282,222,498</u>	<u>\$217,999,910</u>
Commitments (Note 9)		

Approved by the Directors:



Director



Director

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Income and Retained Earnings

Year ended March 31, 1985

	1985	1984
Revenue		
Sales from natural gas, natural gas liquids and sulphur .....	\$543,651,962	\$564,961,030
Expenses		
Gas and by-product purchases .....	404,888,963	402,258,139
Administrative and general expenses .....	1,944,981	1,707,949
	406,833,944	403,966,088
Operating income before interest .....	136,818,018	160,994,942
Interest (Note 8) .....	3,195,124	2,061,833
Net income .....	140,013,142	163,056,775
Retained earnings at beginning of year .....	82,891,827	63,535,052
	222,904,969	226,591,827
Deduct: Transfers to Provincial Treasury .....	87,000,000	143,700,000
Retained earnings at end of year .....	\$135,904,969	\$ 82,891,827

See accompanying notes to consolidated financial statements.

## Consolidated Statement of Changes in Financial Position

Year ended March 31, 1985

	1985	1984
<b>Source of funds</b>		
Operations		
Net income	\$140,013,142	\$163,056,775
Add items not involving outlay of funds:		
Depreciation and amortization	110,400	108,455
Loss (gain) on disposal of fixed assets	1,121	(6,224)
Recovery of future gas supply	(3,765,648)	—
	136,359,015	163,159,006
Proceeds from disposal of fixed assets	325	7,000
Mortgages and other deferred charges	9,103	10,099
Increase in deferred liability	2,465,279	—
Payment on future gas supply	—	19,707,517
	138,833,722	182,883,622
<b>Application of funds</b>		
Prepaid gas	6,320,919	40,285,326
Property additions	115,863	23,450
Transfers to Provincial Treasury	87,000,000	143,700,000
Deferred receivable	10,010,685	32,454,594
	103,447,467	216,463,370
<b>Increase (decrease) in working capital</b>	35,386,255	(33,579,748)
<b>Working capital at beginning of year</b>	8,400,178	41,979,926
<b>Working capital at end of year</b>	\$ 43,786,433	\$ 8,400,178

See accompanying notes to consolidated financial statements

## Notes to the Consolidated Financial Statements

March 31, 1985

### Note 1 Summary of Significant Accounting Policies

#### CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and its subsidiary, British Columbia Gas Corporation.

#### GAS SALES

Under the terms of an agreement between Westcoast Transmission Company Limited and British Columbia Petroleum Corporation effective November 1, 1973, the Corporation sells natural gas to Westcoast Transmission Company Limited at a price equal to the gross revenue received by that Company on the resale thereof less the total cost of service of that Company's utility system operation.

#### DEPRECIATION

Furniture, equipment, automobiles and leasehold improvements are recorded at cost and depreciation is provided at rates considered adequate to amortize the cost over the service lives of the assets. Depreciation is computed on a straight-line basis.

### Note 3 Property Account

	COST	ACCUMULATED DEPRECIATION & AMORTIZATION	1985 NET BOOK VALUE	1984 NET BOOK VALUE
Furniture	\$313,862	\$158,701	\$155,161	\$ 99,814
Automobiles	39,261	23,185	16,076	25,916
Leasehold improvements	233,359	145,004	88,355	87,425
	<u>\$586,482</u>	<u>\$326,890</u>	<u>\$259,592</u>	<u>\$213,155</u>

### Note 2 Prepaid Gas

Under its gas purchase contracts with producers, the Corporation is obligated to purchase and take delivery of, or pay for, a specified minimum annual volume of gas. In the contract years 1980—1984 inclusive, the Corporation was unable to take delivery of the minimum volume of gas and, therefore, is liable to pay for the resulting shortfall (deficiency gas). The Corporation is entitled to take delivery of deficiency gas within a period of ten years from the date incurred, with an adjustment for the prices prevailing when such gas is delivered.

In 1984, all but eight of the gas producers with whom the Corporation is contracted agreed to a reduction in the Corporation's minimum annual volume obligation. Based on the agreements that have been reached with producers for a reduced obligation in 1984, the Corporation's accumulated deficiency gas amounted to \$112,139,002 at March 31, 1985.

### Note 4 Deferred Receivable

The deferred receivable of \$42,465,279 represents the amount of credit extended to Ocelot Investments Ltd. as at March 31, 1985, under an agreement whereby the Corporation, and its subsidiary, British Columbia Gas Corporation, have agreed to extend Ocelot Investments Ltd. credit up to a maximum of \$45,000,000. Repayment of this receivable, which is secured by a first fixed and floating charge on the assets of that company, will commence on May 1, 1986, and is repayable over 18 years with interest at three quarters of one percent over prime.

### Note 5 Liability for Future Gas Supply

Liability for future gas supply represents payments for deficiency gas incurred by a distributor in 1981, 1982 and 1983. Such deficiency gas volumes may be recovered from the Corporation within five years from the date incurred without further payment.

### Note 6 Deferred Liability

The deferred liability of \$2,465,279 represents the deferral, under an agreement with Pacific Northern Gas Ltd., in the payment of a portion of the billing for gas delivered to British Columbia Gas Corporation. The balance outstanding, including accrued interest at a rate of not less than three quarters of one percent over prime, shall not exceed \$5,000,000 and is repayable over five years commencing on May 1, 1986.

**Notes continued****Note 7 Long-Term Debt**

Long-term debt comprises \$30,000,000 11% Notes, due in 1988, which are unconditionally guaranteed as to principal and interest by the Province of British Columbia.

**Note 8 Interest**

	1985	1984
Interest Income		
Province of British Columbia .....	\$2,164,462	\$4,147,445
Other .....	5,080,781	1,369,343
	<u>7,245,243</u>	<u>5,516,788</u>
Less: Interest expense .....	4,007,152	3,412,500
Amortization of debt issue expenses .....	42,967	42,455
	<u>4,050,119</u>	<u>3,454,955</u>
	<u>\$3,195,124</u>	<u>\$2,061,833</u>

**Note 9 Commitments**

- (1) Under agreements with producers which waive the Corporation's liability to pay for deficiency gas incurred in 1980, the Corporation is committed to purchase and take delivery of, or pay for, a specified volume of such gas in each year to 1991. At March 31, 1985, the Corporation's aggregate liability under these agreements was estimated at approximately \$22,337,000.
- (2) The Corporation has commitments under agreements for the lease of office premises extending to 1989. The aggregate rentals payable under leases amounted to approximately \$1,015,000 at March 31, 1985.

**Note 10 Subsequent Event**

Subsequent to March 31, 1985 the Corporation agreed to return, by July 1, 1985, the volumes of gas represented by the amount of \$30,475,487, being the Corporation's liability for Future Gas Supply, to the distributor who paid for those volumes. The net loss of revenues on the volumes of gas returned to the distributor amounts to approximately \$13,500,000.

**BRITISH COLUMBIA PLACE LTD.**

Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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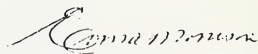
**AUDITOR'S REPORT**

To the Shareholder of British Columbia Place Ltd., and

To the Provincial Secretary and Minister of Government  
Services, Province of British Columbia

I have examined the balance sheet of British Columbia Place Ltd. as at 31 March 1985 and the statements of operations and deficit, stadium operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the company as at 31 March 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Furthermore, the information required by section 200(2)(a) of the Company Act, R.S.B.C. 1979, which is provided in Note 8 to the financial statements is satisfactory.

  
Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
14 May 1985

## BRITISH COLUMBIA PLACE LTD.

STATEMENT 1

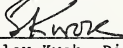
## BALANCE SHEET

AS AT MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
	(in thousands of dollars)	
ASSETS		
Cash	\$ ---	\$ 441
Accounts receivable and prepaid expenses (note 3)	4,332	13,303
Land and site services (note 4)	134,397	133,459
Stadium (note 5)	162,523	135,031
B.C. Pavilion and Roundhouse (note 6)	19,154	728
Furniture, equipment and leasehold improvements (note 7)	568	325
Deferred charges, less amortization	892	875
Mortgages receivable	2,709	2,689
Investment in B.C. Pavilion Corporation (note 8)	---	---
	<u>\$ 324,575</u>	<u>\$ 286,851</u>
LIABILITIES		
Bank overdraft	\$ 251	\$ ---
Accounts payable and accrued liabilities	10,604	14,712
Accrued interest	4,350	1,847
Provision for future costs	647	---
Long-term debt (note 9)	105,972	63,704
Deferred income	<u>1,802</u>	<u>1,750</u>
	<u>123,626</u>	<u>82,013</u>
SHAREHOLDER'S EQUITY		
Share capital (note 10)		
Contributed surplus (note 11)	205,000	205,000
Deficit	<u>4,051</u>	<u>162</u>
	<u>200,949</u>	<u>204,838</u>
	<u>\$ 324,575</u>	<u>\$ 286,851</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

  
Stanley Kwok, Director

  
Lucille M. Johnstone, Director

BRITISH COLUMBIA PLACE LTD.  
STATEMENT OF OPERATIONS AND DEFICIT

STATEMENT 2

FOR THE YEAR ENDED MARCH 31, 1985

	<u>1985</u> (in thousands of dollars)	<u>1984</u> of dollars)
Land lease revenue	\$ 693	\$ ---
Expenses		
Cost of land lease	1,674	---
General and administrative expenses	610	---
Amortization of deferred charges	220	---
	<u>2,504</u>	<u>---</u>
Loss from land operations	1,811	---
Loss from Stadium operations (Statement 3)	<u>2,078</u>	<u>162</u>
Loss for the year	3,889	162
Deficit, beginning of year	<u>162</u>	<u>---</u>
Deficit, end of year	<u>\$ 4,051</u>	<u>\$ 162</u>

The accompanying notes are an integral part of these financial statements.



## BRITISH COLUMBIA PLACE LTD.

STATEMENT 3

## STATEMENT OF STADIUM OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1985

	1985 (in thousands of dollars)	Nine Months Ended March 31, 1984 of dollars)
Revenue	\$ 6,813	\$ 7,192
Expenses		
Salaries, wages and benefits	1,880	1,685
Operating expenses	2,325	2,398
Advertising and business development	213	337
General administration	367	470
Professional services	106	78
	4,891	4,968
Income before depreciation and amortization	1,922	2,224
Depreciation	3,698	2,098
Amortization of deferred charges	302	288
	4,000	2,386
Loss from Stadium operations	\$ 2,078	\$ 162

The accompanying notes are an integral part of these financial statements.

## BRITISH COLUMBIA PLACE LTD.

## STATEMENT 4

## STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1985

	1985	1984
	(in thousands of dollars)	
SOURCE OF FUNDS		
Loss for the year	\$ 3,889	\$ 162
Deduct items not involving current cash outlay:		
Depreciation (Stadium)	3,698	2,098
Depreciation component of general and administrative expenses (Land operations)	63	---
Provision for future costs	647	---
Amortization of deferred charges	522	288
Funds from operations	1,041	2,224
Decrease in:		
Cash	441	1,747
Accounts receivable and prepaid expenses	8,971	---
Increase in:		
B.C. Pavilion and Roundhouse, recoveries	15,397	435
Bank overdraft	251	---
Accrued interest	2,503	1,847
Long-term debt	42,268	63,704
Deferred income	52	1,214
	<u>\$ 70,924</u>	<u>\$ 71,171</u>
APPLICATION OF FUNDS		
Increase in:		
Accounts receivable and prepaid expenses	\$ ---	\$ 11,963
Land and site services, before allocation to Stadium	30,616	30,170
Stadium, excluding land and site services allocation	1,372	19,774
B.C. Pavilion and Roundhouse, costs	33,823	1,163
Furniture, equipment and leasehold improvements	446	95
Deferred charges	539	297
Mortgages receivable	20	34
Decrease in:		
Accounts payable and accrued liabilities	4,108	7,675
	<u>\$ 70,924</u>	<u>\$ 71,171</u>

The accompanying notes are an integral part of these financial statements.

## BRITISH COLUMBIA PLACE LTD.

## NOTES TO THE FINANCIAL STATEMENTS

---

FOR THE YEAR ENDED MARCH 31, 1985

---

## 1. The Company

British Columbia Place Ltd. was incorporated under the Company Act of British Columbia and is also a Crown Corporation having special powers under the British Columbia Place Act.

The Company was established in 1980 to assemble approximately 224 acres of land adjacent to False Creek, to plan and manage an urban redevelopment project that includes the operation of a stadium as well as other public facilities and to prepare sites for residential, commercial and leisure use development.

## 2. Significant accounting policies

## (a) Capitalization of costs

The Company capitalizes all direct acquisition, construction and development costs relating to land and site services and to public facilities which include the Stadium, B.C. Pavilion and Roundhouse. Also capitalized are carrying costs which include interest, grants in lieu of property taxes, other related costs and the applicable portion of general and administrative expenses less temporary lease revenue and interest income. All other assets are recorded at cost.

## (b) Allocation of land and site services costs to public facilities

Land and site services costs are allocated to public facilities upon substantial completion of both the facility and related site development.

Land cost is allocated on a net developable acreage basis. Site services costs are allocated on the basis of their benefit to the facility.

## (c) Depreciation and amortization

The Stadium structure, plaza and parkade are depreciated by the sinking fund method over 50 years in a series of annual instalments increasing at the rate of 5% compounded annually. The

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1985

---

2. Significant accounting policies - continued

Company anticipates residual value of 10% of cost in calculating the depreciation charge.

All other assets are depreciated or amortized by the straight-line method over their useful lives or lease terms. The estimated lives of these assets are between three and 25 years.

(d) Amortization of deferred charges

Stadium operations start-up costs incurred prior to the commencement of operations on June 19, 1983 are amortized on a straight-line basis over three years.

Marketing expenses relating to land operations incurred prior to March 31, 1985 are amortized against the land lease revenue on a straight-line basis over three years.

Debt discount on long-term debt is deferred and amortized on a straight-line basis over the term of the debt.

(e) Accounting for land leases

Land leases for periods of 65 to 99 years, where all revenue is received within the first three years and where no costs or risks with respect to the land are retained by the Company, are accounted for using the method prescribed for sales-type leases. Under this method, income or loss is recognized at the inception of the lease as though the land had been sold.

Land and site services costs attributable to such leases are allocated on a net developable acreage basis. These costs include a provision for the estimated costs required to complete the development, and are recorded as "Provision for future costs" on the balance sheet.

(f) Sinking funds

Payments made to sinking funds with respect to retirement provisions of sinking fund debentures are netted against long-term debt until such time as the debentures are redeemed and cancelled. Interest earned on the sinking funds is treated as interest income with a corresponding increase in the sinking funds.

(g) Income taxes

The Company is exempt from Federal and Provincial income taxes.

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1985

3. Accounts receivable and prepaid expenses	1985	1984
	(in thousands of dollars)	(in thousands of dollars)
Expo 86 Corporation	\$ 3,183	\$ 11,913
B.C. Pavilion Corporation	276	---
Other accounts receivable	629	1,129
Prepaid expenses	244	261
	<u>\$ 4,332</u>	<u>\$ 13,303</u>
4. Land and site services	1985	1984
	(in thousands of dollars)	(in thousands of dollars)
At April 1	\$ 133,459	\$ 103,175
Capitalization of costs:		
Direct	22,150	22,606
Carrying (note 2(a))	9,633	7,678
	<u>165,242</u>	<u>133,459</u>
Costs allocated (notes 2(b) and (e))	<u>(30,845)</u>	<u>---</u>
At March 31	<u>\$ 134,397</u>	<u>\$ 133,459</u>
Carrying costs capitalized are as follows:		
Interest	\$ 7,667	\$ 3,904
Grants in lieu of property taxes	489	505
General and administrative, net	<u>1,477</u>	<u>3,269</u>
	<u>\$ 9,633</u>	<u>\$ 7,678</u>
Costs allocated are as follows:		
Land lease	\$ 1,027	\$ ---
Stadium (note 5)	<u>29,818</u>	<u>---</u>
	<u>\$ 30,845</u>	<u>\$ ---</u>

The cost of land and site services as at March 31, 1985 includes land related to a sales-type lease which has been reduced to a nominal value of \$1,000.

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1985

5. Stadium	1985		1984	
	Cost	Accumulated depreciation (in thousands)	Net book value of dollars)	Net book value
Land and site services	\$ 29,818	\$ ---	\$ 29,818	\$ ---
Structure	92,164	746	91,418	101,402
Plaza and parkade	9,621	43	9,578	9,765
Roof	11,753	748	11,005	8,985
Seats	5,939	238	5,701	---
Scoreboard	5,590	961	4,629	4,958
Other assets	13,435	3,061	10,374	9,921
	<u>\$ 168,320</u>	<u>\$ 5,797</u>	<u>\$ 162,523</u>	<u>\$ 135,031</u>

Other assets include artificial turf, advertising panels, audio-visual systems, telephone system, stadium modifications, mobile and portable equipment, concessions equipment, private box fixtures, furniture, office equipment and parking lots.

6. B.C. Pavilion and Roundhouse	1985	1984
	(in thousands)	of dollars)
At April 1	\$ 728	\$ ---
Capitalization of Costs:		
Direct	30,638	1,163
Carrying (note 2(a))	<u>3,185</u>	<u>---</u>
	<u>34,551</u>	<u>1,163</u>
Recoveries:		
Expo 86 Corporation	14,676	435
B.C. Pavilion Corporation	<u>721</u>	<u>---</u>
	<u>15,397</u>	<u>435</u>
At March 31	<u>\$ 19,154</u>	<u>\$ 728</u>

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1985

6. B.C. Pavilion and Roundhouse - continued	1985	1984
	(in thousands	of dollars)
Carrying costs capitalized are as follows:		
Interest	\$ 2,410	\$ ---
General and administrative, net	<u>775</u>	<u>---</u>
	<u>\$ 3,185</u>	<u>\$ ---</u>

## 7. Furniture, equipment and leasehold improvements (excluding Stadium)

	1985		1984	
	Cost	Accumulated depreciation and amortization (in thousands	Net book value of dollars)	Net book value
Furniture and equipment	\$ 788	\$ 318	\$ 470	\$ 216
Leasehold improvements	<u>224</u>	<u>126</u>	<u>98</u>	<u>109</u>
	<u>\$ 1,012</u>	<u>\$ 444</u>	<u>\$ 568</u>	<u>\$ 325</u>

## 8. Investment in B.C. Pavilion Corporation

The Company owns the only outstanding share of the B.C. Pavilion Corporation at a cost of \$1. The B.C. Pavilion Corporation was incorporated on May 3, 1984 for the purpose of developing and operating the exhibitry at the B.C. Pavilion Complex for the 1986 World Exposition and it is expected this corporation will commence winding-up its affairs immediately following the Exposition.

The B.C. Pavilion Corporation has a separate Board of Directors appointed by and reporting to the Minister of International Trade and Investment and is funded independently of the Company. Due to the specialized purpose of the B.C. Pavilion Corporation and its independence from any influence by the Company, the investment is accounted for in the Company's accounts at cost.

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1985

## 8. Investment in B.C. Pavilion Corporation - continued

The B.C. Pavilion Corporation's summary financial statements from May 3, 1984 to March 31, 1985 are as follows:

- (a) B.C. Pavilion Corporation (in thousands  
Balance Sheet as at March 31, 1985 of dollars)

## ASSETS

Cash and term deposits	\$ 16,181
Interest receivable	1,487
Prepaid expenses and sundry receivables	25
Fixed assets	<u>102</u>
	<u>\$ 17,795</u>

## LIABILITIES AND EQUITY

Bank loan	\$ 155
Accounts payable	335
Share capital	
Surplus	<u>17,305</u>
	<u>\$ 17,795</u>

- (b) B.C. Pavilion Corporation (in thousands  
Statement of Receipts and Expenditures of dollars)  
and Surplus for the Period May 3, 1984  
to March 31, 1985

Grant, interest and contributions	\$ 21,027
Expenditures	<u>3,722</u>
Surplus	<u>\$ 17,305</u>

The accounting policies of B.C. Pavilion Corporation are consistent with those of the Company except for contributions which are recorded on a cash basis, and receipts and expenditures prior to the commencement of its exhibitry operations which are recognized or written off in the period when they occur.



## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1985

9. Long-term debt	1985 (in thousands of dollars)	1984
Sinking fund debenture, Series BCP-PRE-1, maturing on October 1, 1989 and bearing interest at 12.75%	\$ 35,000	\$ ---
Sinking fund debenture, Series PD-1, maturing on October 26, 1990 and bearing interest at 11.75%	30,000	30,000
12.25% note, Series PJC-1, maturing on January 31, 1996	10,000	10,000
Short-term notes maturing between April 1, 1985 and March 31, 1986 at an annual weighted average interest rate of 10.20% (as at March 31, 1985 - 9.85%)	<u>31,660</u>	<u>23,704</u>
Total principal	106,660	63,704
Less: Sinking fund, including earned interest, on deposit with the Minister of Finance, Province of British Columbia	<u>(688)</u>	<u>---</u>
	<u>\$ 105,972</u>	<u>\$ 63,704</u>

- (a) Principal repayment and sinking fund requirements of the Series BCP-PRE-1 and Series PD-1 debentures during each of the five years subsequent to March 31, 1985 are as follows:

Years ending March 31,	(in thousands of dollars)
1986	\$ 1,420
1987	\$ 1,420
1988	\$ 1,420
1989	\$ 1,420
1990	\$ 36,420

At the option of the Minister of Finance, the sinking fund debenture BCP-PRE-1 maturing in 1989, may be called prior to maturity, in whole or in part, under certain conditions or thirty days written notice.

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1985

## 9. Long-term debt - continued

- (b) The Province of British Columbia has unconditionally guaranteed the principal and interest on the sinking fund debenture Series PD-1.
- (c) The principal amount of the Series PJC-1 note is repayable in six instalments at 10% of principal amount for each instalment in the years 1991 to 1995, inclusive, with a final instalment of 50% of principal amount on January 31, 1996, or upon prior demand.
- (d) The Company has a funding agreement with the Province of British Columbia whereby short-term funding required by the Company to carry out its day-to-day operations, over and above revenues received from all sources, is provided by the Province of British Columbia up to a maximum amount of \$73,000,000 outstanding at any one time during the period January 16, 1984 to March 31, 1985. Under this agreement, short-term notes are renewed upon maturity as required by the Company. The funding agreement has been renewed with the Province of British Columbia with termination requiring the agreement of both parties.

## 10. Share capital

Authorized: 10,000 common shares, without par value.

Issued and fully paid: one share to British Columbia Buildings Corporation - \$1. The Minister of Finance for the Province of British Columbia retains voting rights of this share.

## 11. Contributed surplus

Contributed surplus represents an equity investment by British Columbia Buildings Corporation in the amount of \$205 million coincident with the acquisition of the only outstanding share of the Company from the Crown in right of the Province.

## 12. Change in accounting estimates

Based on researched information obtained from other stadia, the Company has reappraised the service lives of certain Stadium assets. The effect of the reappraisal has been to increase the depreciation expense, the loss from Stadium operations and deficit for the year ended March 31, 1985 by approximately \$610,000.

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1985

## 13. Contractual commitments

- (a) The Company has entered into various agreements to provide for site services. As at March 31, 1985, the total value of outstanding commitments was \$1,245,000 (1984 - \$11,791,000).
- (b) The commitment to construct the B.C. Pavilion and the Roundhouse, excluding land and site services and net of recoveries from Expo 86 Corporation and B.C. Pavilion Corporation, amounts to \$34,846,000. As at March 31, 1985, net expenditures amounted to \$19,154,000.

## 14. Related party transactions

- (a) Expo 86 Corporation, a British Columbia Crown Corporation created for the purposes of organizing, constructing and operating the 1986 World Exposition to be held in the City of Vancouver, leased a portion of the B.C. Place lands for its purposes in the amount of \$1 and other considerations. The term of the lease covers four years and three months from March 31, 1983 up to and including June 30, 1987. The indenture of lease, signed June 3, 1983, sets out the commitments from both parties.

The major contributions from Expo 86 Corporation are as follows:

	Contributions	
	Total Commitment (in thousands)	As at March 31, 1985 (of dollars)
Seawall construction	\$ 8,500	\$ 8,500
Construction of B.C. Pavilion	22,730	13,052
Construction of Roundhouse	4,276	2,059
	<u>\$ 35,506</u>	<u>\$ 23,611</u>

Included in the contributions for construction of B.C. Pavilion and Roundhouse is an aggregate amount of \$1,295,727 which was receivable from Expo 86 Corporation at March 31, 1985.

- (b) The Company has incurred and charged B.C. Pavilion Corporation, a wholly-owned subsidiary, total expense of \$996,769. This includes contributions toward the construction of B.C. Pavilion amounting to \$720,726.

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1985

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## 14. Related party transactions - continued

- (c) In the normal course of its operations, the Company acquired goods and services from the Province of British Columbia and certain Crown Corporations, predominately under prevailing trade terms.

## 15. Comparative figures

Certain 1984 amounts have been reclassified, where appropriate, to conform with the presentation adapted in 1985.

**BRITISH COLUMBIA RAILWAY COMPANY****AUDITORS' REPORT**

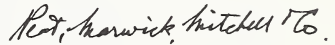
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To the Lieutenant Governor  
in Council  
Province of British Columbia

We have examined the consolidated balance sheet of British Columbia Railway Company as at December 31, 1984 and the consolidated statements of income and deficit, contributed surplus and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31,

1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Peat, Marwick, Mitchell & Co.  
Chartered Accountants

Vancouver, British Columbia,  
Canada  
February 28, 1985

# BRITISH COLUMBIA RAILWAY COMPANY CONSOLIDATED BALANCE SHEET

	<i>(Dollars in Thousands)</i>	
Assets	December 31 1984	December 30 1983
Current assets		
Cash	\$ 9,649	\$ 22,583
Accounts receivable	39,604	30,733
Materials and other items	31,802	30,600
	<u>81,055</u>	<u>83,916</u>
Deferred income taxes	1,954	—
Property and equipment		
Road and buildings	1,036,583	979,787
Equipment	229,476	228,770
	<u>1,266,059</u>	<u>1,208,557</u>
Accumulated depreciation	195,668	176,205
	<u>1,070,391</u>	<u>1,032,352</u>
Dease Lake extension — Note 3	98,020	98,020
	<u>\$1,251,420</u>	<u>\$1,214,288</u>
 <b>Liabilities and Shareholder's Equity</b>		
Current liabilities		
Accounts payable	\$ 85,741	\$ 107,875
Current obligations on long-term debt	993	9,754
	<u>86,734</u>	<u>117,629</u>
Long-term debt — Note 4	196,282	975,625
Minority interest — Note 5	200,000	—
Shareholder's equity		
Share capital — Note 6	257,688	257,688
Contributed surplus	510,716	137,485
	<u>768,404</u>	<u>395,173</u>
Deficit	—	274,139
	<u>768,404</u>	<u>121,034</u>
Commitments — Note 7		
Contingent liabilities — Note 8		
	<u>\$1,251,420</u>	<u>\$1,214,288</u>

On behalf of the Board

*S. M. Horner*      *M. C. Norris*

S. M. Horner, *Director*M. C. Norris, *Director*

# BRITISH COLUMBIA RAILWAY COMPANY CONSOLIDATED INCOME AND DEFICIT

	<i>(Dollars in Thousands)</i>	
	Fiscal Year Ended	
	December 31 1984	December 30 1983
Revenues	<u>\$256,108</u>	<u>\$205,446</u>
Expenses		
Operations	57,028	52,432
Equipment	58,099	56,468
Road	33,693	29,372
Depreciation	26,520	18,312
Other	19,076	16,682
Government assistance — Note 9	<u>(5,217)</u>	<u>(7,772)</u>
	<u>189,199</u>	<u>165,494</u>
Railway operating income	66,909	39,952
Non-operating income (expense)		
Interest — Note 10	(46,990)	(48,633)
Debt servicing assistance — Note 10	<u>22,475</u>	<u>46,367</u>
	<u>(24,515)</u>	<u>(2,266)</u>
Other income	1,636	2,281
	<u>(22,879)</u>	<u>15</u>
Net income before deferred income taxes	44,030	39,967
Provision for deferred income taxes — Note 11	<u>1,343</u>	<u>—</u>
Net income before minority interest	42,687	39,967
Minority interest	<u>8,345</u>	<u>—</u>
Net income	34,342	39,967
Deficit, beginning of period	274,139	314,106
Share issue costs less deferred income taxes of \$3,297	<u>3,044</u>	<u>—</u>
	<u>242,841</u>	<u>274,139</u>
Transfer to contributed surplus — Note 12	<u>242,841</u>	<u>—</u>
Deficit, end of period	<u>\$ —</u>	<u>\$274,139</u>

# BRITISH COLUMBIA RAILWAY COMPANY

## CONSOLIDATED CHANGES IN FINANCIAL POSITION

	<i>(Dollars in Thousands)</i>	
	<b>Fiscal Year Ended</b>	
	<b>December 31 1984</b>	<b>December 30 1983</b>
<b>SOURCE OF CASH</b>		
Operations		
Net income	\$34,342	\$39,967
Depreciation	26,520	18,312
Interest expense	46,990	48,633
Deferred income taxes	1,343	—
Government operating assistance	(5,217)	(7,772)
Government debt servicing assistance	(22,475)	(46,367)
	<u>81,503</u>	<u>52,773</u>
Decrease in non-cash working capital deficiency	<u>(40,968)</u>	<u>(4,068)</u>
	<u>40,535</u>	<u>48,705</u>
Government assistance		
Purchase of sinking funds — Note 4	429,989	—
Debt servicing — Note 10	29,358	70,000
Other — Note 9	7,287	15,571
	<u>466,634</u>	<u>85,571</u>
Other		
Shares	—	27,115
Minority interest	200,000	—
Gain on defeasance of debt — Note 4	179,200	—
Long-term debt	—	180,955
	<u>379,200</u>	<u>208,070</u>
	<u>886,369</u>	<u>342,346</u>
<b>USE OF CASH</b>		
Financing activities		
Debt retirement	779,343	20,291
Interest expense	46,990	48,633
Share issue costs	6,341	—
	<u>832,674</u>	<u>68,924</u>
Invested in future operations		
Property and equipment	66,379	262,644
Deferred operating assistance	250	—
	<u>66,629</u>	<u>262,644</u>
	<u>899,303</u>	<u>331,568</u>
<b>INCREASE (DECREASE) IN CASH</b>	<u>(12,934)</u>	<u>10,778</u>
Cash, beginning of period	<u>22,583</u>	<u>11,805</u>
Cash, end of period	<u>\$ 9,649</u>	<u>\$ 22,583</u>



# BRITISH COLUMBIA RAILWAY COMPANY CONSOLIDATED CONTRIBUTED SURPLUS

	<i>(Dollars in Thousands)</i>	
	Fiscal Year Ended	
	December 31 1984	December 30 1983
Balance, beginning of period	\$137,485	\$113,852
Debt servicing assistance — Note 10	6,883	23,633
Refinancing grant — Note 4	429,989	—
Gain on defeasance of debt — Note 4	179,200	—
Transferred from deficit — Note 12	(242,841)	—
Balance, end of period	<u>\$510,716</u>	<u>\$137,485</u>

# BRITISH COLUMBIA RAILWAY COMPANY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1984

### 1. Significant Accounting Policies

The accounting regulations prescribed by the Canadian Transport Commission for Canadian railways have been adopted to the extent that this is possible without submitting specific accounting policies and depreciation rates to the Commission for approval.

#### *Basis of consolidation*

The consolidated financial statements include the accounts of the company and its subsidiaries BCR Properties Ltd. and BC Rail Ltd. All significant inter-company transactions are eliminated.

#### *Class of business*

The company provides a fully integrated rail freight service within British Columbia. Services other than hauling freight are not of sufficient size to warrant separate reporting.

#### *Road property*

New construction is recorded at cost net of Government grants received. Abandoned or relocated sections are removed at average unit costs. Elements of track structure installed during planned programs are recorded at cost and the material replaced is removed at amounts which approximate average unit costs. Labour costs for programmed replacements are expensed as incurred.

All costs of constructing rail lines are capitalized to the date the line is certified operational by the British Columbia Ministry of Transportation and Highways. Capitalization of interest ceases and provision of depreciation commences on the date of certification.

#### *Depreciation*

Depreciation is provided for major categories of property and equipment on the straight-line basis at composite rates estimated to reduce the original cost to estimated salvage value over the average service lives of the classes. The group method is used for recording depreciation under which, on disposal, the original cost of assets retired less salvage value is charged against accumulated depreciation. No gain or loss on retirements, other than on accidental destruction of rolling stock and on disposal of land, is included in income. The original cost of assets less estimated salvage value is depreciated over the following number of years:

	Number of Years
Grades, surfacing and tunnels	100
Rails	50
Ties	20
Ballast	25
Bridges	30-80
Locomotives and power units	25
Freight cars	33

#### *Repairs*

Repairs and non-programmed replacements of track structure are charged against current operations. Betterments and major track relocations are capitalized.

#### *Materials and supplies*

Inventories of materials and supplies are valued at the lower of average cost and net realizable value.

#### *Government assistance*

Grants directly related to the construction or rehabilitation of road property have offset related road property capital expenditures. Operating assistance has been deducted from the related expense accounts. Assistance provided by the Province of British Columbia ("Province") in its capacity as shareholder has been credited to contributed surplus.

#### *Income taxes*

Income tax expense is computed on the basis of accounting income recorded by the railway operating subsidiary. No taxes are currently payable as the subsidiary intends to claim certain amounts for income tax purposes in excess of those recorded in the accounts and additionally will deduct share issue costs for tax purposes. The future benefit of the recorded accounting loss after deducting share issue costs has been included in the accounts as deferred income taxes. The company and BCR Properties Ltd. are exempt from Canadian federal and provincial income taxes.

#### *Transactions in foreign currency*

Transactions originating in United States currency are translated at the approximate exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currency at the balance sheet date are translated to equivalent Canadian amounts at the current rate of exchange.

## NOTES

### *Leases*

Certain long-term lease transactions relating to the financing of equipment are accounted for as purchases. The capital lease obligations reflect the present value of future minimum rental payments discounted at the interest rate implicit in the leases. The capitalized values of depreciable assets are generally depreciated over the related lease terms in equal annual amounts. Costs of all other leases are charged against operations as incurred.

### *Fiscal year*

In 1984, the fiscal year of the company was changed to end on December 31.

	<u>1984</u>	<u>1983</u>
Sinking fund bonds and debentures		
1984-1988 — 3.25% to 4.75%		\$ 34,204,000
1989-1993 — 5.75% to 7.66%		67,479,000
1994-1998 — 4.5% to 9.34%		247,052,000
1999-2003 — 9.05% to 10.5%		338,218,000
2004-2005 — 12.75%		<u>45,000,000</u>
		731,953,000

### 2. Corporate Re-organization

On June 19, 1984, the company sold all its railway assets and undertaking except industrial parks and certain undeveloped land to BC Rail Ltd. On the same day, the company sold its undeveloped land and industrial parks to BCR Properties Ltd.

Less sinking fund assets net of company's own bonds held	<u>144,823,000</u>
	587,130,000

### 3. Dease Lake Extension

These costs consist of charges relating to the uncompleted Dease Lake extension. Construction was suspended in 1977 and there are no commitments to continue. In the event any portion of this extension is abandoned, the cost less any value recovered will be written off at that time.

Notes and bonds 16.875% — due 1986 and 1996	18,701,000
---------------------------------------------	------------

Serial bonds 4.875% — due 1988	<u>1,138,000</u>
	606,969,000

### 4. Long-Term Debt

On June 15, 1984, the Province paid to the company \$429,989,000 which was placed in sinking funds and, together with amounts then in the sinking funds, was used to acquire securities issued or guaranteed by the Province. These securities will provide sufficient funds to service and retire obligations issued by the company which had a recorded book value including interest on June 15, 1984, of \$609,189,000. Both the amount received and the difference of \$179,200,000 between the recorded value of the debt and the amount provided by the Province were credited to contributed surplus.

Long-term debt outstanding, less current maturities, consists of the following:

Capital lease obligations — Note 7	<u>\$44,320,000</u>	37,123,000
	44,320,000	644,092,000
Deduct current portion	<u>993,000</u>	9,754,000
	43,327,000	634,338,000
Notes payable To the Province	<u>152,955,000</u>	—
Other	<u>—</u>	341,287,000
	<u>\$196,282,000</u>	<u>\$975,625,000</u>

The notes payable to the Province are arranged under a borrowing agreement between the company and the Province. The present notes outstanding bear interest at rates between 10.0% and 12.5%.

### 5. Minority Interest

The minority interest consists of 8,000,000 series 1-A first preferred shares with a par value of \$25.00 each issued by BC Rail Ltd. These shares are designated as \$2.3125 cumulative, redeemable and retractable.

**6. Share Capital****Authorized**

10,000,000 shares with a par value of \$100 each.

**Issued**

2,576,885 shares are outstanding and held by the Province.

As all of the shares are held by the Province earnings per share has not been provided.

**7. Commitments**

The company has significant lease commitments for rolling stock and additional minor lease commitments for equipment and real estate which expire at various dates prior to the year 2000.

Certain of these leases transfer substantially all of the benefits and risks of ownership to the company and are accounted for as capital assets.

The following is a schedule of future minimum rental payments at December 31, 1984, required under non-cancellable leases that have terms in excess of one year:

	<u>Capital leases</u>	<u>Operating leases</u>
1985	\$ 6,569,000	\$ 13,837,000
1986	6,569,000	13,533,000
1987	6,569,000	13,060,000
1988	6,569,000	12,875,000
1989	6,569,000	11,926,000
Later years	68,387,000	45,275,000
Total minimum lease payments	<u>101,232,000</u>	<u>\$ 110,506,000</u>
Less		
Executory costs	3,984,000	
Imputed interest	52,928,000	
Present value	<u>\$44,320,000</u>	

Assets under capital leases recorded in the property and equipment accounts as at December 31, 1984 are as follows:

Equipment	\$46,514,000
Accumulated depreciation	6,137,000
	<u>\$40,377,000</u>

**8. Contingent Liabilities**

The company is contingently liable with respect to pending litigation and claims which arose in connection with construction of the Tumbler Ridge rail line and in the normal course of business. In the opinion of management any liability that may arise will be capitalized or would not have a material adverse effect on future income.

**9. Government Assistance**

Government assistance received was as follows:

	<u>1984</u>	<u>1983</u>
Debt related		
From the Province		
Defeasance —		
Note 4	\$429,989,000	\$ —
Servicing —		
Note 10	29,358,000	70,000,000
	<u>\$459,347,000</u>	<u>\$70,000,000</u>

**Other****From the Province**

Fort Nelson extension		
Operating Rehabilitation	\$2,867,000	\$ 5,359,000
	145,000	393,000
Tumbler Ridge rail line electrification	—	2,500,000
Takla extension	—	375,000
Passenger operation	2,100,000	2,038,000
Passenger car modernization	500,000	—
From the Government of Canada		
Tumbler Ridge rail line electrification	1,675,000	4,906,000
	<u>\$ 7,287,000</u>	<u>\$15,571,000</u>

The following were treated as a reduction of operating expenses

Fort Nelson extension	\$ 2,867,000	\$ 5,359,000
Takla extension	—	375,000
Passenger operation	2,100,000	2,038,000
Passenger car modernization	250,000	—
	<u>\$ 5,217,000</u>	<u>\$ 7,772,000</u>

The balance of the other assistance, except for \$250,000 which will be credited to operations in a future period, has been applied to reduce amounts included in property and equipment.

## NOTES

### 10. Interest Expense

The Province granted \$29,358,000 to assist in paying the 1984 debt servicing charges of the company to June 15, 1984 (Note 9). Of this amount, \$22,475,000 was applied to offset interest on long-term debt and the balance of \$6,883,000 is included in contributed surplus.

Interest expense is as follows:

	<u>1984</u>	<u>1983</u>
Interest on long-term debt and notes		
Province	\$ 3,663,000	\$ —
Other	<u>53,848,000</u>	<u>91,944,000</u>
	<u>57,511,000</u>	<u>91,944,000</u>
Less		
Sinking fund earnings	5,965,000	13,150,000
Interest capitalized	6,859,000	30,232,000
Interest earned on temporary investments	<u>2,680,000</u>	<u>2,195,000</u>
	<u>15,504,000</u>	<u>45,577,000</u>
	<u>42,007,000</u>	<u>46,367,000</u>
Interest on capital lease obligations	<u>4,983,000</u>	<u>2,266,000</u>
	<u>46,990,000</u>	<u>48,633,000</u>
Less		
Application of debt servicing assistance	<u>22,475,000</u>	<u>46,367,000</u>
Net interest	<u>\$24,515,000</u>	<u>\$ 2,266,000</u>

### 11. Income Taxes

The effective tax rate of 3% differs from the rate of 52% applicable to British Columbia companies because the net income of the company and BCR Properties Ltd. is exempt from federal and provincial income taxes.

### 12. Contributed Surplus

The Province instructed the company to consolidate its accumulated deficit with contributed surplus as at December 31, 1984.

### 13. Pension Plan

The majority of the company's employees participate in a contributory pension plan and are entitled to limited vested rights prior to retirement. An actuarial valuation as at May 31, 1984 disclosed that the plan was fully funded.

The total pension expense for the current period was \$5,486,000; (1983 - \$6,450,000).

### 14. Related Party Transactions

Related party information not included elsewhere in the notes to financial statements is presented below:

The first preferred shares of a subsidiary and certain capital lease obligations are guaranteed by the Province. The Ministry of Finance of the Province acts as fiscal agent in the administration of the debt and the Superannuation Commission of the Province administers the company pension plan. Fees are charged for both of these services.

The company received assistance from the Province during the year and is exempted from all taxes levied by the Province. All other transactions between the company and the Province are at terms no more or less favourable than those with unrelated parties.

# BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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## AUDITOR'S REPORT

To the Chairman and Members of the  
British Columbia Regional Hospital Districts Financing  
Authority, and

To the Minister of Finance  
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia Regional Hospital Districts Financing Authority as at 31 March 1985 and the statement of sources and uses of funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 March 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
25 June 1985

## EXHIBIT A

## BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

## STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 MARCH 1985

## ASSETS

	<u>1985</u>	<u>1984</u>
Current		
Accrued interest receivable	\$ 31,655,125	\$ 29,704,865
Current portion of long-term loans receivable	1,039,073	897,687
Instalments to sinking funds receivable within one year	<u>25,828,046</u>	<u>25,194,506</u>
	<u>58,522,244</u>	<u>55,797,058</u>
Long-term loans receivable (note 3 and schedule 1)	917,285,839	883,463,453
Less accumulated sinking fund instalments and investment income	<u>226,801,160</u>	<u>197,470,577</u>
	<u>690,484,679</u>	<u>685,992,876</u>
	<u>\$ 749,006,923</u>	<u>\$ 741,789,934</u>


## LIABILITIES

Current		
Accrued interest payable	\$ 31,655,125	\$ 29,704,865
Current portion of long-term debt	1,039,073	897,687
Instalments to sinking funds payable within one year	<u>25,828,046</u>	<u>25,194,506</u>
	<u>58,522,244</u>	<u>55,797,058</u>
Long-term debt (note 4)	934,221,839	883,463,453
Less: Sinking funds on deposit with the Minister of Finance of the Province of British Columbia (note 5)	<u>226,801,160</u>	<u>197,470,577</u>
Investments (note 6)	<u>16,936,000</u>	<u>-</u>
	<u>690,484,679</u>	<u>685,992,876</u>
	<u>\$ 749,006,923</u>	<u>\$ 741,789,934</u>

The six accompanying notes and Schedule 1 are an integral part of these financial statements.

Approved by the Authority:

  
 Hugh A. Curtis, Chairman

  
 David L. Emerson, Secretary



## EXHIBIT B

## BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

## STATEMENT OF SOURCES AND USES OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1985

Sources of Funds	<u>1985</u>	<u>1984</u>
Proceeds of Authority debentures issued	\$ 52,431,000	\$ 95,397,000
Repayment of long-term loans receivable	897,687	775,540
Investments at par transferred from sinking funds (note 6)	16,936,000	-
Interest on investments	660,883	-
Interest on long-term loans receivable	<u>105,679,587</u>	<u>96,806,669</u>
	<u>176,605,157</u>	<u>192,979,209</u>
Sinking Funds		
Instalments received	24,833,530	23,109,890
Income on investments	<u>23,865,846</u>	<u>19,509,550</u>
	48,699,376	42,619,440
Less: Funds management fees (note 5)	149,489	127,706
Transfer of excess assets of certified sinking funds to the Hospital Districts	5,208,852	-
Investments transferred to the Authority (note 6)	13,727,439	-
Accrued interest on investments transferred to the Authority	<u>283,013</u>	<u>-</u>
	<u>29,330,583</u>	<u>42,491,734</u>
	<u>\$ 205,935,740</u>	<u>\$ 235,470,943</u>
Uses of Funds		
Loans issued	\$ 52,431,000	\$ 95,397,000
Debentures redeemed by the Authority	897,687	775,540
Long-term loans receivable discharged	16,936,000	-
Interest on long-term debt	<u>106,340,470</u>	<u>96,806,669</u>
	<u>176,605,157</u>	<u>192,979,209</u>
Net increase in sinking funds	<u>29,330,583</u>	<u>42,491,734</u>
	<u>\$ 205,935,740</u>	<u>\$ 235,470,943</u>



## BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 1. The Authority

The Authority was established by the Hospital District Finance Act, R.S.B.C. 1979, Chapter 179. Section 2 of the Act states that the purpose of the Authority is: "to assist in the financing of hospital projects, medical and health facilities, community human resources and health centres, and any other community, regional or Provincial facilities for the social improvement, welfare and benefit of the community or the general public good, approved by the Minister of Health".

The Authority provides assistance in financing by making loans to the Regional Hospital Districts and the Health Facilities Association under terms and conditions identical to those governing the borrowing of the Authority itself.

## 2. Significant accounting policies

a) Sinking fund instalments received from the Hospital Districts and the Health Facilities Association in respect of their debt to the Authority together with the investment income earned thereon are set aside in sinking funds maintained by the Trustee, the Minister of Finance, to provide for retirement of the debt of the Authority at maturity. Sinking fund instalments, income earned on sinking fund investments and the corresponding investment of the instalments and income by the sinking fund trustee have been reflected in the statement of sources and uses of funds.

## b) Sinking fund investments

- i) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a straight-line basis over the remaining terms of the investments.
- ii) Temporary investments are valued at the lower of the cost of acquisition and market value.

## c) Certification of Sinking Funds and Loans Discharged

Investments transferred to the Authority from the certified sinking funds (see Note 6) are recorded at par value. They are shown as a reduction of long-term debt, as the specific purpose of these investments is essentially the same as that of a sinking fund.

## BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 3. Long-term loans receivable

Long-term loans receivable of \$891,519,000 (1984: \$856,024,000), including all loans which were financed by borrowing from the Canada Pension Plan (see Note 4), are redeemable on five months' notice in whole or in part before maturity at the option of the Chairman of the Authority. Further long-term loans receivable of \$2,000,000 (1984: \$2,000,000) are redeemable after 1994 in whole or in part before maturity at the option of the Chairman of the Authority. The remaining long-term loans receivable of \$50,633,958 (1984: \$51,531,646) are not redeemable before maturity.

Details of long-term loans receivable are set out in Schedule I.

## 4. Long-term debt

	<u>1985</u>	<u>1984</u>
Canada Pension Plan Investment Fund		
6.62% to 17.51% debentures, due 1988 through 2005	\$ 873,955,000	\$ 821,524,000
Province of British Columbia Pension Funds		
7.00% to 13.60% debentures, due 1987 through 1993	31,870,000	32,310,000
Province of British Columbia Boards, Agencies and Commissions		
7.00% to 15.75% debentures, due 1985 through 1998	30,823,958	31,721,646
Province of British Columbia		
6.79% to 7.45% debentures, due 1991 and 1992	12,000,000	12,000,000
General Public		
8.08% to 11.375% debentures, due 1988 and 1990	<u>12,440,000</u>	<u>12,000,000</u>
	961,088,958	909,555,646
Less: Current portion of long-term debt	1,039,073	897,687
Instalments to sinking funds payable within one year	<u>25,828,046</u>	<u>25,194,506</u>
	<u>\$ 934,221,839</u>	<u>\$ 883,463,453</u>

## BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 4. Long Term Debt (continued)

Debentures issued to the Canada Pension Plan Investment Fund are redeemable on six months' notice, in whole or in part before maturity, at the option of the Minister of Finance of Canada, subject to certain restrictions.

Debentures totalling \$2,000,000 are redeemable after 1994 in whole or in part prior to maturity at the option of the Authority. Serial debenture maturities due in each of the next five fiscal years are:

1986	\$ 1,039,073
1987	1,202,728
1988	1,392,157
1989	-
1990	-

Non-serial debenture maturities due in the next five fiscal years are:

1986	\$ -
1987	-
1988	22,000,000
1989	16,936,000
1990	18,920,000

Repayment of the non-serial debentures will be fully funded by sinking fund assets or the investments.

Sinking fund instalments of \$25,828,046 are due in each of the fiscal years 1986-1988. Instalments of \$22,224,512 are due in each of the fiscal years 1989 and 1990.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on the long-term debt of the Authority.

## 5. Sinking funds on deposit at 31 March

	<u>1985</u>	<u>1984</u>
Cash and temporary investments	\$ 123,109,383	\$ 109,373,601
Long-term investments	98,730,253	82,840,374
(Market value \$94,534,003 1984: \$74,796,571)		
Accrued interest	<u>5,001,111</u>	<u>5,290,996</u>
	226,840,747	197,504,971
Less: Funds management fees payable	<u>39,587</u>	<u>34,394</u>
	<u>\$ 226,801,160</u>	<u>\$ 197,470,577</u>

## BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 5. Sinking funds on deposit at 31 March (continued):

Sinking fund investments include \$10,000,000 (1984: \$10,000,000) par value of debentures issued by the Authority.

The cost of temporary investments approximates market value.

Funds management fees have been charged to the sinking funds of the Authority by the Ministry of Finance in accordance with Section 39 (4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

## 6. Investments

	Book Value	1985	
		Unamortized Discount	Par Value
British Columbia Hydro and Power Authority Notes			
6.66% due 5 August 1988	\$ 4,222,308	\$ 777,692	\$ 5,000,000
6.62% due 4 November 1988	6,618,503	1,317,497	7,936,000
6.92% due 2 January 1989	<u>3,336,456</u>	<u>663,544</u>	<u>4,000,000</u>
	<u>\$14,177,267</u>	<u>\$2,758,733</u>	<u>\$16,936,000</u>

Total 1985 amortization of discount on Authority investments was \$449,828.

Under Section 8.1 of the Hospital District Finance Act, where a debenture is held by the Authority, and the Minister of Finance certifies that the assets of the related sinking fund are sufficient to meet all obligations respecting the payment of principal and interest under the debenture, the body who issued the debenture shall transfer the assets in the sinking fund to the Authority.

Upon transfer of the assets, the debt of the body is discharged, subject to conditions contained in the Minister's certificate. Where the Minister certifies that the assets of the sinking fund exceed what is required to meet the obligations of the debenture, the Authority shall pay the excess to the body who issued the debenture.

## BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 6. Investments (continued)

During the year ended 31 March 1985, loans receivable totalling \$16,936,000 were discharged. Investments costing \$13,727,439 were transferred from the sinking funds to the Authority. These investments have a par value of \$16,936,000 and have identical interest rates and maturity dates to the loans receivable they are replacing. They will be held until maturity and will be used to finance interest payments and capital repayment of the Authority's corresponding debentures.

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on the notes held by the Authority.

## SCHEDULE 1

## BRITISH COLUMBIA REGIONAL HOSPITAL DISTRICTS FINANCING AUTHORITY

## SCHEDULE OF LONG-TERM LOANS RECEIVABLE

AS AT 31 MARCH 1985

Regional Hospital District	Interest Rates %	Dates of Maturity	1985	1984
Alberni-Clayoquot	6.79-11.59	1989-2003	\$ 4,270,500	\$ 4,620,500
Bulkley-Nechako	6.75-13.30	1990-2004	8,357,000	8,307,000
Capital	6.75-17.51	1989-2004	109,067,000	103,739,000
Cariboo	7.47- 9.07	1993-1996	2,525,000	2,525,000
Central Coast	8.01-14.16	1994-2002	2,153,500	2,153,500
Central Fraser Valley	7.00-17.51	1989-2004	20,981,000	21,596,000
Central Kootenay	7.00-15.12	1989-2004	10,446,000	12,120,000
Central Okanagan	6.90-15.12	1989-2004	18,040,400	18,247,400
Columbia-Shuswap	6.79-17.01	1989-2001	7,308,000	7,493,000
Comox-Strathcona	7.00-17.51	1992-2004	16,301,300	17,158,300
Cowichan Valley	7.23-13.05	1992-2004	2,745,000	1,995,000
Dewdney-Alouette	7.23-15.69	1993-2004	18,297,000	17,097,000
East Kootenay	6.75-16.10	1990-2004	13,354,000	16,059,000
Fraser-Cheam	6.75-15.38	1989-2004	8,771,600	7,256,600
Fraser-Fort George	6.75-17.01	1991-2003	29,359,200	29,674,200
Greater Vancouver	6.75-17.51	1989-2005	424,789,000	399,766,000
Kitimat-Stikine	7.26-10.40	1989-2001	10,254,000	10,845,000
Kootenay Boundary	7.26-15.69	1989-2004	8,212,000	8,937,000
Mount Waddington	7.14-17.00	1991-2003	6,085,000	6,085,000
Nanaimo	6.79-17.00	1989-2004	9,885,000	9,485,000
North Okanagan	7.23-17.01	1993-2004	39,496,000	35,065,000
Okanagan-Similkameen	6.75-15.12	1989-2004	16,966,000	14,846,000
Peace River-Liard	6.79-12.13	1989-2004	14,191,000	14,389,000
Powell River	7.26-13.70	1989-2004	3,185,000	3,915,000
Skeena-Qu. Charlotte	6.90-10.26	1989-1999	4,460,000	4,460,000
Squamish-Lillooet	7.47-14.16	1993-2003	1,845,000	1,845,000
Sunshine Coast	7.01-13.66	1991-2004	3,895,000	3,565,000
Thompson-Nicola	6.75-17.01	1990-2004	30,779,500	30,279,500
			846,019,000	813,524,000
Health Facilities Association	8.95-16.10	1985-2004	98,133,958	96,031,646
			944,152,958	909,555,646
Less: Current portion of long-term loans receivable			1,039,073	897,687
Instalments to sinking funds receivable within one year			25,828,046	25,194,506
			<u>\$ 917,285,839</u>	<u>\$ 883,463,453</u>

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

## AUDITOR'S REPORT

To the Chairman and Members of the  
British Columbia School Districts Capital Financing Authority, and

To the Minister of Finance  
Province of British Columbia:

I have examined the statement of assets and liabilities of the British Columbia School Districts Capital Financing Authority as at 31 March 1985 and the statement of sources and uses of funds for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at 31 March 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
28 June 1985



## EXHIBIT A

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## STATEMENT OF ASSETS AND LIABILITIES

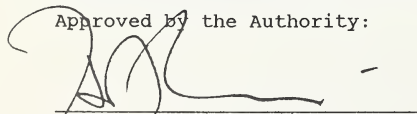
AS AT 31 MARCH 1985

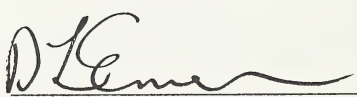
ASSETS		1985	1984
Current			
Accrued interest receivable	\$	47,348,415	\$ 44,675,799
Current portion of long-term loans receivable		1,183,500	3,053,000
Instalments to sinking funds receivable within one year		<u>36,536,303</u>	<u>36,932,643</u>
		85,068,218	84,661,442
Long-term loans receivable (note 3 and schedule 1)		1,311,805,197	1,375,848,510
Less accumulated sinking fund instalments and investment income		<u>416,228,212</u>	<u>464,059,894</u>
		895,576,985	911,788,616
		<u>\$ 980,645,203</u>	<u>\$ 996,450,058</u>

LIABILITIES			
Current			
Accrued interest payable	\$	47,348,415	\$ 44,675,799
Current portion of long-term debt		17,587,500	3,053,000
Instalments to sinking funds payable within one year		<u>36,536,303</u>	<u>36,932,643</u>
		101,472,218	84,661,442
Long-term debt (note 4)		1,496,762,092	1,452,696,510
Less: Sinking funds on deposit with the Minister of Finance of the Province of British Columbia (note 5)		416,228,212	464,059,894
Investments (note 6)		<u>201,360,895</u>	<u>76,848,000</u>
		879,172,985	911,788,616
		<u>\$ 980,645,203</u>	<u>\$ 996,450,058</u>

The seven accompanying notes and Schedule 1 are an integral part of these financial statements.

Approved by the Authority:

  
 Hugh A. Curtis, Chairman

  
 David L. Emerson, Secretary



## EXHIBIT B

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## STATEMENT OF SOURCES AND USES OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
Sources of Funds		
Proceeds of Authority debentures issued	\$ 54,000,000	\$131,102,000
Repayment of long-term loans receivable	3,091,900	3,834,750
Foreign exchange gain on long-term loans receivable discharged	798,067	-
Unrealized foreign exchange gain on long-term loans receivable	905,000	2,137,881
Unrealized foreign exchange gain on investments	5,553,676	1,363,200
Investments at par transferred from sinking funds (note 6)	118,959,219	-
Interest on investments	9,020,489	4,459,947
Interest on long-term loans receivable	<u>143,969,141</u>	<u>137,661,657</u>
	<u>336,297,492</u>	<u>280,559,435</u>
Sinking Funds		
Instalments received	37,032,435	35,195,417
Income on investments	<u>50,966,657</u>	<u>49,322,346</u>
	87,999,092	84,517,763
Less: Funds management fees (note 5)	237,633	225,803
Transfer of excess assets of certified sinking funds to the School Districts	34,454,589	-
Investments transferred to the Authority (note 6)	99,432,637	-
Accrued interest on investments transferred to the Authority	<u>1,705,915</u>	<u>-</u>
	<u>(47,831,682)</u>	<u>84,291,960</u>
	<u>\$288,465,810</u>	<u>\$364,851,395</u>
Uses of Funds		
Loans issued	\$ 54,000,000	\$131,102,000
Debentures redeemed by the Authority	3,091,900	3,834,750
Unrealized foreign exchange loss on long-term debt	7,256,743	3,501,081
Long-term loans receivable discharged	118,959,219	-
Interest on long-term debt	<u>152,989,630</u>	<u>142,121,604</u>
	336,297,492	280,559,435
Net increase (decrease) in sinking funds	<u>(47,831,682)</u>	<u>84,291,960</u>
	<u>\$288,465,810</u>	<u>\$364,851,395</u>

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 1. The Authority

The Authority was established by the School District Capital Finance Act, R.S.B.C. 1979, Chapter 376. Section 2 of the Act states that: "the object of the Authority is to assist the boards of school trustees of the various school districts created under the School Act to finance their capital expenditures by purchasing debentures issued by boards of school trustees with money raised by the issue and sale of debentures of the authority".

The debentures issued to the Authority by the School Districts have terms and conditions identical to those governing the borrowing of the Authority itself, except as described in Note 7.

## 2. Significant accounting policies

a) Sinking fund instalments received from the School Districts in respect of their debt to the Authority together with the investment income earned thereon are set aside in sinking funds maintained by the Trustee, the Minister of Finance, to provide for retirement of the debt of the Authority at maturity. Sinking fund instalments, income earned on sinking fund investments and the corresponding investment of the instalments and income by the sinking fund trustee have been reflected in the statement of sources and uses of funds.

## b) Sinking fund investments

- i) Long-term investments are valued at cost of acquisition adjusted by amortization of discounts and premiums on a straight-line basis over the remaining terms of the investments.
- ii) Temporary investments are valued at the lower of the cost of acquisition and market value.

## c) Foreign exchange

Assets and liabilities denominated in foreign currency have been converted to Canadian dollars at the rate prevailing at the balance sheet date.

Gains and losses arising on foreign exchange are reflected in the statement of sources and uses of funds in the year in which they arise. The gains and losses are not deferred and amortized as they are fully offsetting and have no effect on the net financial position of the Authority.

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 2. Significant accounting policies (continued)

## d) Certification of sinking funds and loans discharged

Investments transferred to the Authority from the certified sinking funds (see Note 6) are recorded at par value. They are shown as a reduction of long-term debt, as the specific purpose of these investments is essentially the same as that of a sinking fund.

## 3. Long-term loans receivable

Long-term loans receivable of \$1,204,256,000 (1984: \$1,174,674,000) are redeemable on five months' notice in whole or in part before maturity at the option of the Chairman of the Authority. The remaining long-term loans receivable of \$145,269,000 (1984: \$241,160,153) are not redeemable before maturity.

Long-term loans receivable include U.S. \$500,000 (1984: U.S. \$40,685,000).

Details of long-term loans receivable are set out in Schedule 1.

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 4. Long-term debt

	<u>1985</u>	<u>1984</u>
Canada Pension Plan Investment Fund 6.40% to 17.51% debentures, due 1988 through 2004	\$1,228,674,000	\$1,174,674,000
Province of British Columbia 6.79% to 7.45% debentures, due 1988 through 1992	44,092,000	44,092,000
Province of British Columbia Pension Funds 4.625% to 12.75% debentures, due 1985 through 1993	96,158,835	110,747,115
Province of British Columbia Boards, Agencies and Commissions 5.00% to 11.00% debentures, due 1986 through 1996	36,522,660	49,154,212
General Public 4.50% to 16.875% debentures, due 1985 through 1996	<u>145,438,400</u>	<u>114,014,826</u>
	1,550,885,895	1,492,682,153
Less: Current portion of long-term debt	17,587,500	3,053,000
Instalments to sinking funds payable within one year	<u>36,536,303</u>	<u>36,932,643</u>
	<u>\$1,496,762,092</u>	<u>\$1,452,696,510</u>

Long-term debt includes U.S. \$80,185,000 (1984: U.S. \$82,185,000)

Debentures issued to the Canada Pension Plan Investment Fund are redeemable on six months' notice, in whole or in part before maturity at the option of the Minister of Finance of Canada subject to certain restrictions.

Serial debenture maturities of U.S. \$500,000 and Canadian \$500,000 are due in fiscal year 1986.

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 4. Long-term debt (continued)

Non-serial debenture maturities due in the next five fiscal years are:

1986	\$16,404,000
1987	72,340,000
1988	78,198,895
1989	24,418,000
1990	50,819,000

Repayment of the non-serial debentures will be fully funded by sinking fund assets or the investments.

Sinking fund instalments of \$36,536,303 are due in each of the fiscal years 1986-1990 inclusive.

The Province of British Columbia has unconditionally guaranteed the payment of principal and interest on long-term debt of the Authority.

## 5. Sinking funds on deposit at 31 March

	<u>1985</u>	<u>1984</u>
Cash and temporary investments	\$146,620,681	\$215,285,419
Accounts receivable	934,817	-
Long-term investments	259,525,538	237,487,148
(Market value - \$248,239,534 1984: \$215,429,650)		
Accrued interest	<u>9,208,084</u>	<u>11,415,468</u>
	416,289,120	464,188,035
Less: Settlement payable	-	68,492
Funds management fees payable	<u>60,908</u>	<u>59,649</u>
	<u>\$416,228,212</u>	<u>\$464,059,894</u>

Sinking fund investments include \$23,184,200 (1984: \$26,255,711) par value of debentures issued by the Authority.

The cost of temporary investments approximates market value.

Funds management fees have been charged to the sinking funds of the Authority by the Ministry of Finance in accordance with Section 39(4) of the Financial Administration Act. These fees are based on the market value of sinking fund assets and are charged on a quarterly basis during the year.

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 6. Investments

Investments

		1985	
	<u>Book Value</u>	<u>Unamortized Discount</u>	<u>Par Value</u>
British Columbia Buildings Corporation notes			
5.00% due 15 February 1986	\$ 15,490,913	\$ 913,087	\$ 16,404,000
5.50% due 9 May 1986	25,567,722	1,772,278	27,340,000
6.25% due 1 November 1986	18,057,621	1,942,379	20,000,000
6.75% due 15 November 1987	857,550	142,450	1,000,000
6.875% due 15 December 1987	12,841,329	2,158,671	15,000,000
British Columbia Hydro and Power Authority notes			
6.25% due 15 February 1987	22,517,261	2,482,739	25,000,000
5.875% due 15 April 1987	30,147,099	4,027,901	34,175,000
4.50% due 15 October 1987	6,746,534	1,387,116	8,133,650
4.70% due 15 October 1987	1,948,434	389,136	2,337,570
4.75% due 15 October 1987	941,136	186,639	1,127,775
6.00% due 15 October 1987	2,351,202	382,798	2,734,000
6.25% due 15 October 1987	3,193,051	497,849	3,690,900
6.875% due 15 January 1988	8,706,786	1,293,214	10,000,000
6.61% due 1 May 1988	4,266,061	733,939	5,000,000
6.66% due 5 August 1988	4,451,157	819,843	5,271,000
6.40% due 1 October 1988	8,409,931	1,702,069	10,112,000
6.92% due 2 January 1989	3,365,650	669,350	4,035,000
7.45% due 15 July 1989	8,328,181	1,671,819	10,000,000
	<u>\$178,187,618</u>	<u>\$23,173,277</u>	<u>\$201,360,895</u>

Total 1985 amortization of discount on Authority investments was \$8,436,148 (1984: \$4,550,385).

Investments' book value includes U.S. \$63,193,923 (1984: U.S. \$28,104,753).

Investments' par value includes U.S. \$70,185,000 (1984: U.S. \$32,000,000).

Under Section 8.1 of the School District Capital Finance Act, where a debenture of a School Board is held by the Authority, and the Minister of Finance certifies that the assets of the related sinking fund are sufficient to meet all obligations respecting the payment of principal and interest under the debenture, the Board who issued the debenture shall transfer the assets in the sinking fund to the Authority.

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

## 6. Investments (continued)

Upon transfer of the assets, the debt of the Board is discharged, subject to conditions contained in the Minister's certificate. Where the Minister certifies that the assets of the sinking fund exceed what is required to meet the obligations of the debenture, the Authority shall pay the excess to the School Board.

During the year ended 31 March 1985, loans receivable totalling \$118,959,219 were discharged. Investments with a cost of \$99,432,637 and a par value of \$118,959,219 were transferred from the sinking funds to the Authority. These investments have identical interest rates and maturity dates to the loans receivable they are replacing. They will be held until maturity and will be used to finance interest payments and capital repayment of the Authority's corresponding debentures.

The Province of British Columbia has unconditionally guaranteed payment of principal and interest on the notes held by the Authority.

## 7. Provision for recovery of exchange loss

In previous years the Authority issued \$9,500,000 in debentures denominated in United States dollars, and lent the proceeds to School Districts in Canadian dollars.

As at 31 March 1985 the debt payable expressed in Canadian dollars exceeds the corresponding loan receivable by \$1,883,740 (1984: \$1,023,990). The Authority has made arrangements to ensure that principal and interest repayments by the School Districts will be sufficient to finance its repayments of the debt. Accordingly, provision has been made for the recovery of the exchange loss from the School Districts.



## SCHEDULE 1

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## SCHEDULE OF LONG-TERM LOANS RECEIVABLE

AS AT 31 MARCH 1985

No.	School District	Interest Rates %	Dates of Maturity	1985	1984
1	Fernie	5.375-18.25	1985-2004	\$ 26,531,000	\$ 25,779,185
2	Cranbrook	4.625-18.25	1985-2004	10,013,936	10,333,305
3	Kimberley	6.90-18.25	1992-2004	4,563,800	4,578,126
4	Windermere	4.625-18.25	1985-2004	5,546,736	5,388,049
7	Nelson	5.375-17.01	1985-2004	11,500,500	11,257,056
9	Castlegar	5.375-17.01	1985-2004	9,638,700	9,612,283
10	Arrow Lakes	7.26-13.80	1989-2004	3,223,000	2,851,000
11	Trail	7.83-18.25	1989-2004	6,706,000	6,629,777
12	Grand Forks	6.93-14.16	1990-2004	4,361,000	4,271,212
13	Kettle Valley	7.00-18.25	1989-2004	3,057,000	3,111,000
14	South Okanagan	4.625-18.25	1985-2004	6,760,531	6,861,042
15	Penticton	4.625-17.51	1985-2004	9,071,404	9,598,770
16	Keremeos	8.65-15.12	1990-2002	634,000	925,475
17	Princeton	7.14-18.25	1990-2004	6,632,000	6,564,143
18	Golden	4.625-18.25	1985-2004	3,030,936	3,095,407
19	Revelstoke	4.625-18.25	1985-2003	5,956,904	6,479,895
21	Armstrong- Spallumcheen	5.375-17.51	1985-2004	7,748,000	7,690,212
22	Vernon	5.375-17.51	1985-2004	22,362,000	23,355,845
23	Central Okanagan	4.625-18.25	1985-2004	61,372,175	62,062,863
24	Kamloops	4.625-18.25	1985-2004	47,197,010	51,270,383
26	North Thompson	7.34-13.09	1990-2003	6,394,000	7,387,789
27	Cariboo-Chilcotin	5.375-18.25	1985-2004	30,615,500	31,923,698
28	Quesnel	5.375-18.25	1985-2004	20,598,000	20,284,148
29	Lillooet	7.53-13.69	1990-2004	3,203,000	3,076,936
30	South Cariboo	7.01-13.20	1989-2004	6,251,000	6,201,000
31	Merritt	5.375-18.25	1985-2003	5,315,000	5,912,752
32	Hope	7.38-13.43	1990-2002	2,618,000	3,061,770
33	Chilliwack	4.625-17.01	1985-2004	13,869,202	13,786,770
34	Abbotsford	5.375-18.25	1985-2004	44,729,500	43,155,282
35	Langley	4.625-18.25	1985-2004	54,112,936	51,874,553
36	Surrey	4.625-18.25	1985-2004	73,787,212	78,026,202
37	Delta	5.375-18.25	1985-2004	49,623,000	52,262,072
38	Richmond	5.375-18.25	1985-2004	40,109,400	41,593,751
39	Vancouver	4.625-18.25	1985-2004	60,580,350	66,251,870
40	New Westminster	5.375-16.53	1985-2004	9,025,500	8,874,134
41	Burnaby	4.625-17.51	1985-2004	18,982,372	22,563,641
42	Maple Ridge	4.625-18.25	1985-2004	30,941,372	31,212,308
43	Coquitlam	4.625-18.25	1985-2004	53,284,138	60,516,758
44	North Vancouver	4.625-13.80	1985-2004	37,404,702	41,882,850
45	West Vancouver	4.625-17.51	1985-2004	6,225,372	8,091,940
46	Sunshine Coast	4.625-17.01	1985-2004	12,195,170	12,597,355
47	Powell River	4.625-18.25	1985-2004	5,927,404	6,664,380
48	Howe Sound	4.625-17.00	1985-2004	10,031,936	10,276,807
49	Central Coast	7.00-15.50	1990-2002	2,521,000	2,721,000



SCHEDULE 1  
(continued)

## BRITISH COLUMBIA SCHOOL DISTRICTS CAPITAL FINANCING AUTHORITY

## SCHEDULE OF LONG-TERM LOANS RECEIVABLE

AS AT 31 MARCH 1985

No.	School District	Interest Rates %	Dates of Maturity	1985	1984
50	Queen Charlotte	7.83-13.30	1989-2003	\$ 3,331,000	\$ 4,230,955
52	Prince Rupert	4.625-17.01	1985-2004	12,865,138	13,351,844
54	Smithers	6.90-18.25	1990-2004	11,751,000	12,493,093
55	Burns Lake	7.01-18.25	1990-2004	8,107,000	7,938,807
56	Nechako	4.625-18.25	1985-2004	14,564,936	15,703,604
57	Prince George	4.625-17.51	1985-2004	79,985,408	88,502,489
59	Peace River South	4.625-18.25	1985-2004	19,167,670	18,910,205
60	Peace River North	4.625-18.25	1985-2004	18,319,702	19,261,172
61	Greater Victoria	4.625-17.51	1985-2004	41,811,542	47,960,432
62	Sooke	5.375-18.25	1985-2004	17,084,000	18,342,739
63	Saanich	4.625-15.54	1985-2004	16,059,904	16,772,918
64	Gulf Islands	6.90-15.38	1990-2004	6,448,000	5,018,000
65	Cowichan	4.625-18.25	1985-2004	14,476,202	14,943,600
66	Lake Cowichan	6.90-13.30	1989-2004	2,946,000	3,327,927
68	Nanaimo	4.625-15.54	1985-2004	38,274,670	39,594,744
69	Qualicum	4.625-18.25	1985-2004	19,997,670	19,720,858
70	Alberni	4.625-16.10	1985-2004	9,660,505	10,971,309
71	Courtenay	4.625-18.25	1985-2004	15,494,670	17,152,937
72	Campbell River	4.625-16.10	1985-2004	22,787,138	23,867,960
75	Mission	5.375-17.51	1985-2004	14,276,200	13,702,200
76	Agassiz-Harrison	7.26-16.10	1989-2003	1,756,000	1,790,000
77	Summerland	7.60-18.25	1989-2004	3,257,000	3,103,000
80	Kitimat	7.01-18.25	1989-2004	5,983,000	7,448,923
81	Fort Nelson	7.00-17.51	1989-2004	7,863,000	8,009,000
84	Vancouver Island West	6.90-18.25	1990-2004	3,253,000	4,596,703
85	Vancouver Island North	5.375-18.25	1985-2004	17,638,000	17,935,688
86	Creston-Kaslo	4.625-18.25	1985-2004	13,625,936	13,544,074
87	Stikene	7.14-17.00	1990-2004	7,851,000	7,701,669
88	Terrace	4.625-18.25	1985-2004	23,081,702	25,747,527
89	Shuswap	4.625-18.25	1985-2004	20,907,569	20,700,992
92	Nisgha	10.20-13.20	1990-2004	765,000	550,000
				1,347,641,260	1,414,810,163
Add: Provision for recovery of exchange loss (note 7)				1,883,740	1,023,990
				1,349,525,000	1,415,834,153
Less: Current portion of long-term loans receivable				1,183,500	3,053,000
Instalments to sinking funds receivable within one year				36,536,303	36,932,643
				<u>\$1,311,805,197</u>	<u>\$1,375,848,510</u>

**BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.**

**THORNE  
RIDDELL**

Chartered Accountants



**AUDITORS' REPORT**

To the Shareholder of  
British Columbia Steamship Company (1975) Ltd.

We have examined the consolidated balance sheet of British Columbia Steamship Company (1975) Ltd. as at December 31, 1984 and the consolidated statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Thorne Riddell*

Chartered Accountants

Victoria, Canada  
January 18, 1985

BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.  
(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1984

ASSETS	1984	1983
<b>CURRENT ASSETS</b>		
Cash	\$ 14,453	\$ 118,397
Accounts receivable	48,895	43,093
Inventories	62,252	79,997
Prepaid expenses	50,366	54,014
	<u>175,966</u>	<u>295,501</u>
<b>FIXED ASSETS (note 2)</b>		
Vessel, equipment and leasehold improvements	8,297,347	8,227,682
Less accumulated depreciation	<u>3,459,948</u>	<u>2,969,592</u>
	<u>4,837,399</u>	<u>5,258,090</u>
	<u>\$ 5,013,365</u>	<u>\$ 5,553,591</u>

LIABILITIES

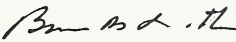

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 218,056	\$ 229,007
Vessel lease payable (note 3)	1,936,529	1,936,529
Promissory notes and accrued interest payable (note 4)	<u>4,213,840</u>	<u>4,238,268</u>
Total liabilities	<u>6,368,425</u>	<u>6,403,804</u>

CAPITAL STOCK, CONTRIBUTED SURPLUS AND DEFICIT

<b>CAPITAL STOCK</b>		
5 Common shares (note 5)	5	5
<b>CONTRIBUTED SURPLUS</b>	7,900,330	7,900,330
<b>DEFICIT</b>	<u>(9,255,395)</u>	<u>(8,750,548)</u>
	<u>(1,355,060)</u>	<u>(850,213)</u>
	<u>\$ 5,013,365</u>	<u>\$ 5,553,591</u>

Commitments (note 6)

Approved by the Board

  
Director  
  
Director

## BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

## CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
Revenue		
Passengers	\$ 4,774,683	\$ 4,886,515
On-board services	2,777,617	2,811,325
Vehicles	518,916	513,339
Other	90,110	106,645
	<u>8,161,326</u>	<u>8,317,824</u>
Operating expenses		
On-board services		
Cost of sales	873,081	959,511
Operating expenses	<u>931,090</u>	<u>1,159,505</u>
	<u>1,804,171</u>	<u>2,119,016</u>
Ship operating expenses		
Deck	476,225	520,782
Engine room	615,924	741,396
Ship general	599,242	793,396
Fuel	1,107,718	1,440,837
Refit	742,635	533,315
Seattle terminal	783,442	757,262
Victoria terminal	377,181	413,092
	<u>6,506,538</u>	<u>7,319,096</u>
Income before non-operating expenses	<u>1,654,788</u>	<u>998,728</u>
Administration	540,503	547,279
Selling	482,089	547,691
Commissions	134,932	140,827
	<u>1,157,524</u>	<u>1,235,797</u>
Income (loss) before interest and depreciation	<u>497,264</u>	<u>(237,069)</u>
Interest	511,754	419,035
Depreciation	490,357	494,527
	<u>1,002,111</u>	<u>913,562</u>
LOSS FOR THE YEAR	<u>\$ 504,847</u>	<u>\$ 1,150,631</u>

## BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

## CONSOLIDATED STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
DEFICIT AT BEGINNING OF YEAR	\$ 8,750,548	\$ 7,599,917
Loss for the year	<u>504,847</u>	<u>1,150,631</u>
DEFICIT AT END OF YEAR	<u>\$ 9,255,395</u>	<u>\$ 8,750,548</u>

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
WORKING CAPITAL APPLIED TO		
Operations		
Loss for the year	\$ 504,847	\$ 1,150,631
Less depreciation which does not involve working capital	<u>490,357</u>	<u>494,527</u>
	14,490	656,104
Additions to fixed assets	<u>69,666</u>	<u>112,892</u>
INCREASE IN WORKING CAPITAL DEFICIENCY	84,156	768,996
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	<u>6,108,303</u>	<u>5,339,307</u>
WORKING CAPITAL DEFICIENCY AT END OF YEAR	<u>\$ 6,192,459</u>	<u>\$ 6,108,303</u>

## BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1984

## 1. ACCOUNTING POLICIES

## (a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiary, British Columbia Steamship Company Inc.

## (b) Inventories

Inventories are valued at the lower of cost and net realizable value.

## (c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of 1981 major refurbishing of the vessel, "Princess Marguerite", was capitalized and is being depreciated on the straight-line basis over fifteen years. The original cost of the vessel had previously been depreciated to its 1979 scrap value. The leasehold improvements are depreciated on the straight-line basis over terms which range from four to ten years. Other fixed assets are depreciated on the diminishing balance method at the annual rates indicated in note 2.

## (d) Refit

The company carries out an annual refit of the vessel in the off-season. These annual refit costs are an expense in the year incurred.

## (e) Translation of foreign currency

- (i) Current assets and current liabilities are translated into Canadian dollars at rates of exchange in effect at the year end.
- (ii) Fixed assets are translated into Canadian dollars at average rates of exchange prevailing in the year in which assets were acquired.
- (iii) Revenues and expenses are translated into Canadian dollars at the average rate of exchange for the year with the exception of depreciation, which reflects historic rates used for the related assets.

## BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1984

## 2. FIXED ASSETS

	Rate	1984			1983
		Cost	Accumulated depreciation	Net	Net
Vessel - T.E.V. "Princess Marguerite"		\$6,952,601	\$2,480,196	\$4,472,405	\$4,821,052
Automotive equipment	30%	21,594	18,017	3,577	5,109
Furniture and fixtures on shore	20%	21,487	15,440	6,047	7,099
Radio equipment	25%	49,678	35,840	13,838	18,450
Vessel equipment	20%	557,286	398,845	158,441	132,350
Tools	100%	3,038	3,038		
Cutlery, china and linen	100%	25,340	25,340		
Leasehold improvements - Victoria		104,977	68,941	36,036	53,447
Leasehold improvements - Seattle		<u>561,346</u>	<u>414,291</u>	<u>147,055</u>	<u>220,583</u>
		<u>\$8,297,347</u>	<u>\$3,459,948</u>	<u>\$4,837,399</u>	<u>\$5,258,090</u>

The "Princess Marguerite" is shown as an asset of the company even though title rests with Her Majesty the Queen in Right of the Province of British Columbia. Operation of the company is dependent on government policy relating to availability of the vessel and funding of operations. A change in government policy affecting the services provided by the company would have a material impact on these financial statements, the effect of which is not determinable at this time.

## 3. VESSEL LEASE PAYABLE

\$1,936,529 is payable to the British Columbia Ferry Corporation, a Crown Corporation, for the lease and other related costs of the motor vessel, "Victoria Princess", used during the 1980 operating season.

## BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1984

## 4. PROMISSORY NOTES AND ACCRUED INTEREST PAYABLE

	<u>1984</u>	<u>1983</u>
Promissory notes	\$4,165,757	\$4,100,000
Accrued interest	48,083	138,268
	<u>\$4,213,840</u>	<u>\$4,238,268</u>

The promissory notes are payable to the shareholder, the Province of British Columbia.

## 5. CAPITAL STOCK

The company is limited by its articles to issuing a maximum of 55,000 common shares.

## 6. COMMITMENTS

The company rents the terminal facilities in Seattle under a long term lease which expires in 1987, the annual rental for which is \$124,700 U. S. funds. The rental expense under this lease in the current period is \$163,344 Canadian funds.

The company rents the terminal facilities in Victoria under long term leases which expire in 1991 and 1994, the annual rental for which is \$24,560.



## BRITISH COLUMBIA STEAMSHIP COMPANY (1975) LTD.

## SCHEDULE OF ON-BOARD SERVICES

YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
Catering services		
Revenue	\$ 1,330,330	\$ 1,393,508
Cost of sales	369,209	432,527
Operating expenses	<u>592,715</u>	<u>690,186</u>
Income	<u>368,406</u>	<u>270,795</u>
Lounges		
Revenue	425,183	462,900
Cost of sales	58,959	69,223
Operating expenses	<u>165,703</u>	<u>292,052</u>
Income	<u>200,521</u>	<u>101,625</u>
Newsstands		
Revenue	424,485	406,193
Cost of sales	226,569	235,254
Operating expenses	<u>57,994</u>	<u>58,348</u>
Income	<u>139,922</u>	<u>112,591</u>
Duty-free shop		
Revenue	426,840	387,646
Cost of sales	218,344	222,507
Operating expenses	<u>66,292</u>	<u>59,190</u>
Income	<u>142,204</u>	<u>105,949</u>
Dayrooms		
Revenue	170,779	161,078
Operating expenses	<u>48,386</u>	<u>59,729</u>
Income	<u>122,393</u>	<u>101,349</u>
TOTAL ON-BOARD SERVICES		
Revenue	2,777,617	2,811,325
Cost of sales	873,081	959,511
Operating expenses	<u>931,090</u>	<u>1,159,505</u>
Income	<u>\$ 973,446</u>	<u>\$ 692,309</u>

**BRITISH COLUMBIA SYSTEMS CORPORATION**

AUDITORS' REPORT

*British Columbia Systems Corporation  
(incorporated as a Crown corporation under the System Act, R.S.B.C. 1979)*

The Honourable James J. Hewitt  
Minister of Consumer and  
Corporate Affairs  
Province of British Columbia

We have examined the balance sheet of the British Columbia Systems Corporation as at March 31, 1985 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants

Victoria, Canada

May 31, 1985

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**STATEMENT OF INCOME AND DEFICIT**


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*British Columbia Systems Corporation**(incorporated as a Crown Corporation under the System Act R.S.B.C. 1979)*

For the year ended March 31, 1985  
(000's)

	1985	1984
Revenue		
Processing	\$30,985	\$27,397
System design and programming	11,168	11,849
Direct expenses recovered from clients	29,142	35,460
Interest and other income	1,394	880
<b>Total revenue</b>	<b>72,689</b>	<b>75,586</b>
Expenses:		
Employee	17,848	22,373
Equipment rental and maintenance	5,743	5,024
Services purchased for clients	27,503	32,378
Facilities management fees(note 11)	4,114	
Administrative and general	3,506	4,201
Depreciation and amortization (note 7)	5,813	4,863
Interest on long-term debt	9,195	8,399
<b>Total expenses</b>	<b>73,722</b>	<b>77,238</b>
Net loss before extraordinary items	1,033	1,652
Extraordinary items (note 8)	394	(235)
<b>Net loss for the year</b>	<b>1,427</b>	<b>1,417</b>
Deficit (retained earnings), beginning of year	1,417	(20)
Net income transferred to the Province of British Columbia pursuant to Section 8(5) of the System Act (note 6)		20
<b>Deficit, end of the year</b>	<b>\$ 2,844</b>	<b>\$ 1,417</b>

(see accompanying notes)

**BALANCE SHEET**

March 31, 1985 (000's)

*British Columbia Systems Corporation*  
*(Incorporated as a Crown Corporation under the System Act R.S.B.C. 1979)*

**ASSETS**

	1985	1984
Current:		
Cash	\$ 1,764	
Accounts receivable	16,066	\$26,939
Prepaid expenses	216	348
Total current assets	18,046	27,287
Fixed, at cost		
Land	6,917	6,917
Building	30,708	30,646
Computer and ancillary equipment (note 3)	21,201	17,479
Furniture and fixtures	2,030	2,234
Leasehold improvements	26	147
Deposit on equipment	2,535	
	63,417	57,423
Less accumulated depreciation and amortization (note 3)	10,838	8,003
Net fixed assets	52,579	49,420
Other:		
Deferred foreign exchange translation loss [note 5(b)]	1,040	416
	<u>\$71,665</u>	<u>\$77,123</u>

Approved by the Directors:

Director



Director



(see accompanying notes)

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**LIABILITIES**

	<u>1985</u>	<u>1984</u>
Current		
Bank overdraft		\$ 2,579
Accounts payable and accrued charges	\$17,132	17,053
Deferred revenue		957
Current portion of long-term debt (note 5):		
Lease capitalization	2,556	1,926
Other	<u>579</u>	<u>579</u>
Total current liabilities	<u>20,267</u>	<u>23,094</u>
Long-term debt (note 5):		
Lease capitalization	4,804	6,241
Other	39,438	39,205
Note Payable	<u>10,000</u>	<u>10,000</u>
	<u>54,242</u>	<u>55,446</u>
Deficit (note 6)	<u>(2,844)</u>	<u>(1,417)</u>
	<u>\$71,665</u>	<u>\$77,123</u>

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**STATEMENT OF CHANGES IN FINANCIAL POSITION**


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*British Columbia Systems Corporation*  
*(incorporated as a Crown Corporation under the System Act R.S.B.C. 1979)*

For the year ended March 31, 1985  
 ('000's)

	1985	1984
Source of working capital:		
Operations -		
Net income for the year before extraordinary items	\$(1,033)	\$(1,652)
Add items not affecting working capital:		
Depreciation and amortization	5,813	4,863
Deferred foreign exchange translation loss	368	139
Total from operations	5,148	3,350
Drawdown of funds held for facility less related amounts payable		2,766
Proceeds on disposition of equipment	637	1,822
Additions to long-term debt (net of current portion)	905	36
Total source of working capital	6,690	7,974
Application of working capital:		
Extraordinary items (note 8)	394	(235)
Add items not affecting working capital included therein	104	
	498	(235)
Reduction of non-current deferred revenue		32
Additions to fixed assets	9,505	3,520
Long-term debt reductions	3,101	2,591
Net income, prior year, transferred to the general revenue of the Province of British Columbia (note 6)		20
Total application of working capital	13,104	5,928
(Decrease) increase in working capital	(6,414)	2,046
Working capital, beginning of the year	4,193	2,147
Working capital (deficiency), end of the year	\$(2,221)	\$4,193

(see accompanying notes)

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**NOTES TO THE FINANCIAL STATEMENTS**March 31, 1985

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*British Columbia Systems Corporation  
(Incorporated as a Crown Corporation under the System Act R.S.B.C. 1979)*

**1. The Corporation**

The British Columbia Systems Corporation is incorporated as a Crown Corporation of the Province of British Columbia under the System Act R.S.B.C. 1979.

The purpose of the Corporation is to establish and implement such policies as it considers appropriate for the consolidation and rationalization of data processing services provided for government entities. To achieve this purpose, the Corporation:

- a) provides data processing and related services required for governmental purposes;
- b) recommends and implements data processing standards, practices, policies and technical guidelines to facilitate a progressive improvement of information systems required by government entities; and,
- c) subject to approval of the Lieutenant-Governor in Council, sets rates for the use of data processing products and services provided to its users.

In 1985 the Corporation received 95% of its revenues from Provincial Government Ministries with the balance from other Government entities.

**2. Significant accounting policies**

As prescribed by Section 9(6) of the System Act, the financial statements of the Corporation are prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

**a) Accrual accounting:**

The accrual method of accounting is used in the preparation of these financial statements. Accordingly, revenues are recorded in the period they are earned and expenditures are recorded in the period they are incurred.

**b) Fixed assets:**

The Corporation leases a substantial portion of its computer equipment. Certain of these leases, however, transfer the benefits and risks incident to ownership to the Corporation. In such cases, as more fully described in notes 3 and 5, the leases have been capitalized.

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b) Fixed assets: (continued)

The costs of fixed assets are depreciated and amortized over their estimated useful lives as follows:

Building	- over forty years, on a straight-line basis
Building plant and equipment	- over twenty years, on a straight-line basis
Computer mainframes	- over the terms of the leases (4 to 5 years) on an annuity basis
Other computer and ancillary equipment	- over varying periods, mainly three years, on a straight-line basis (see note 7)
Furniture and fixtures	- over ten years, on a straight-line basis
Leasehold improvements	- over terms of leases, on a straight-line basis

c) Revenue recognition:

Revenue from fixed price contracts for systems development projects is recognized on the percentage completion basis.

d) Development costs:

Development costs (including systems design and programming) are expensed as incurred.

e) Income taxes:

The Corporation is exempt from Federal and Provincial income taxes.

f) Sinking funds:

Payments made to sinking funds with respect to retirement provisions of the sinking fund debentures will be carried until such time as the debentures are redeemed. Interest earned on the sinking funds is recorded as income.

g) Foreign currency translation:

Debt due in foreign currency is translated to Canadian dollars at the exchange rate prevailing at year end. Any gain or loss on translation is deferred and amortized over the remaining term of the debt, including the current year.

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**3. Capitalization of leases**

Included in fixed assets is computer equipment recorded at a cost of \$11,360,000 (1984 - \$10,056,000) arising from the capitalization of certain leases. The related accumulated depreciation amounts to \$4,028,000 (1984 - \$1,933,000).

**4. Borrowing authority**

Pursuant to Section 8(6) of the System Act, the Corporation may be advanced or borrow up to \$65,000,000. In computing that amount the aggregate net rentals payable by the Corporation under leases of personal property for a term exceeding one year shall be excluded.

**5. Long-term debt****a) Lease capitalization:**

The minimum annual contractual obligations with respect to capitalized leases are as follows:

1986	\$3,282,000
1987	3,272,000
1988	1,970,000
1989	33,000
1990	17,000
	<u>8,574,000</u>
Less imputed interest at an average annual rate of 12.1%	<u>1,214,000</u>
Capitalized lease obligations	7,360,000
Less current portion	<u>2,556,000</u>
Long-term portion	<u>\$4,804,000</u>

## 5. Long-term debt (continued)

## b) Other:

	Interest rate	Maturity Date	Amount
Sinking fund debentures:			
Canada Pension Plan			
- Series 1	15.69%	2002	\$12,892,000
Canada Pension Plan			
- Series 2	16.10%	2002	11,580,000
Private placement debt for			
U.S. \$11,400,000 repayable in			
U.S. dollars (see below)	16.88%	1987	15,545,000
			40,017,000
Less current portion			579,000
Long term portion			\$39,438,000

Annual maturities and mandatory sinking fund requirements for each of the next five years and thereafter are as follows:

	Sinking fund payments	U.S. debt	Total
1986	\$ 579,000		\$ 579,000
1987	579,000	\$15,545,000	16,124,000
1988	579,000		579,000
1989	579,000		579,000
1990	579,000		579,000
Thereafter	21,577,000		21,577,000
	<u>\$24,472,000</u>	<u>\$15,545,000</u>	<u>\$40,017,000</u>

The deferred foreign exchange loss on translation of the U.S. dollar debt to Canadian dollars amounted to \$1,040,000 (1984 - \$416,000), after charging \$368,000 (1984 - \$139,000) for amortization in the year.

## c) Note payable:

The Corporation has the following financial arrangements with National Victoria and Gray Trust Company:

Note	Interest rate	Maturity Date	Amount
BCSC-1	0.75% less than average bank prime calculated quarterly	1987	\$10,000,000

The Province of British Columbia has guaranteed the payment of principal and interest on all long-term debt issued by the Corporation.

**6. Net income**

Pursuant to Section 8(5) of the System Act, the Lieutenant-Governor in Council may, each fiscal year, on the recommendation of the Minister of Finance, direct the transfer to the government of all or part of the net income for the current year or for previous years to the extent not previously so transferred

**7. Change in fixed asset life estimates**

During the year, the Corporation reviewed the estimated useful lives assigned, for depreciation purposes, to the various classes of fixed assets. Due to rapid changes in technology, the estimated useful lives of certain classes of computer and ancillary equipment and purchased software were reduced to three years from five years. This change in estimated life has been applied effective April 1, 1984 and results in additional depreciation charges in the current year of \$669,000.

**8. Extraordinary Items**

	1985	1984
Reduction in provision (1984 - provision) for costs associated with proposed reorganization of the Corporation	\$118,000	\$(835,000)
Provision for hardware lease termination cost	(851,000)	
Volume rebates received from suppliers relating to prior years' purchases	339,000	
Refund from the Ministry of Provincial Secretary and Government Services for excess contributions in previous years to the Public Service Long Term Disability Plan		1,070,000
Net extraordinary revenue (expenditure)	<u>\$(394,000)</u>	<u>\$235,000</u>

**9. Lease commitments**

The Corporation leases some of its premises and computer equipment for periods of up to five years.

The minimum annual contractual obligations of non-cancellable leases are as follows (excluding amounts relating to capitalizable leases):

1986	-	\$2,385,000
1987	-	\$740,000
1988	-	\$650,000
1989	-	\$540,000
1990	-	\$135,000

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**10. Pension and superannuation plans**

Until the Corporation establishes a pension or superannuation plan, the Public Service Superannuation Act applies to the Corporation and its officers and employees. The Corporation is obliged to pay into the Public Service Superannuation Fund amounts equal to employees' contributions required under the Public Service Superannuation Act.

**11. Facilities management contract**

During the year the Corporation awarded a facilities management contract to Hi-Tech Systems Ltd., a private company owned and operated by former employees of the Corporation. Under the terms of the contract, the company provides the Corporation with management services related to the operation of its central computer operation for a 25 month period ending September 30, 1986. The contract provides for a one year renewal option, exercisable by the Corporation.

**12. Subsequent event**

On April 1, 1985, the Corporation, assisted by the Ministry of Finance in its capacity as Fiscal Agent, has arranged short-term financing of \$6,000,000 for computer equipment purchased in March 1985.

**13. Comparative figures**

Certain comparative figures have been reclassified to conform to the method of presentation adopted in 1985.

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## BRITISH COLUMBIA TRANSIT

**THORNE  
RIDDELL**

Chartered Accountants



## AUDITORS' REPORT

To the Members of the Board of  
British Columbia Transit

We have examined the balance sheet of British Columbia Transit as at March 31, 1985 and the statements of operating division expenditures and recoveries, asset division revenue and expenditures and deficit and contributed surplus, changes in financial position and changes in regional transit funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of British Columbia Transit as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chartered Accountants

Victoria, Canada  
June 12, 1985

BRITISH COLUMBIA TRANSIT  
BALANCE SHEET AS AT MARCH 31, 1985

## ASSETS

	1985 (\$000)	1984 (\$000)	LIABILITIES, EQUITY AND FUND BALANCES	1985 (\$000)	1984 (\$000)
<b>CURRENT ASSETS</b>			<b>OPERATING DIVISION</b>		
Cash and term deposits		\$ 2,876	<b>CURRENT LIABILITIES</b>	\$ 3,829	\$ 927
Accounts receivable	12,031	2,805	Cheques issued in excess of funds on deposit	494	10,415
Province of British Columbia	15,360	6,153	Payable to contractors	15,667	1,496
Municipalities	913	613	Deferred revenue	1,496	1,225
Sundry	3	65	Payable to asset division	6,870	12,567
Prepaid expenses	28,307	12,512		28,356	
			<b>EQUITY</b>		
<b>FIXED ASSETS (note 3)</b>	334	340	Contributed surplus	285	285
	28,641	12,852		28,641	12,852

## ASSET DIVISION

<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and term deposits	2,973	55,990	Accounts payable and accrued liabilities	76,483	64,535
Accrued interest and accounts receivable	2,177	840	Notes payable (note 6)	245,223	100,000
Receivable from the operating division	6,870		Current obligations under capital leases	2,749	2,338
Parts inventory	872	855	Current portion of long term debt (note 7)	26,800	
Prepaid expenses	185	274		351,255	166,873
Current portion of mortgage receivable		100			
	13,077	58,059	<b>LONG TERM DEBT (note 7)</b>		
<b>10% MORTGAGE RECEIVABLE, DUE MARCH 31, 1989</b>	700	700	OBLIGATIONS UNDER CAPITAL LEASES (note 8)	336,788	218,718
				96,982	70,745
<b>DEBTURE SINKING FUND</b>	4,285	399	<b>DEFERRED REVENUE</b>	686	955

<b>FIXED ASSETS</b>			<b>EQUITY</b>		
Land, buildings and equipment (note 4)	215,872	222,504	Contributed surplus	216,588	210,324
Advanced Light Rapid Transit (note 5)	748,799	374,434	Deficit	(16,728)	(8,802)
Commuter rail	2,838	2,717		199,860	201,522
	967,509	599,655		985,571	638,813
	985,571	658,813		\$1,014,212	\$ 671,665
	\$1,014,212	\$ 671,665			

## REGIONAL TRANSIT FUNDS

<b>Cash and term deposits</b>	\$ 12,493	\$	<b>Payable to British Columbia Transit -</b>	\$ 13,493	\$
<b>Accounts receivable and accrued interest</b>	2,340		operating division	20	
			Accounts payable	1,320	
			Fund balances		
	\$ 14,833	\$ -		\$ 14,833	\$ -

Approved by the Board

Director

Director

Commitments (note 9)

Contingent liability (note 10)

Subsequent event (note 11)

Labour relations (note 12)

*S. K. Brown*  
*May Brown*

## BRITISH COLUMBIA TRANSIT

## OPERATING DIVISION

## STATEMENT OF EXPENDITURES AND RECOVERIES

YEAR ENDED MARCH 31, 1985

	1985 (\$000)	1984 (\$000)
Expenditures		
Transit operations		
Operating and maintenance	\$ 141,422	\$ 158,484
Vehicle lease fees	11,850	8,543
Property lease fees	3,929	3,155
Interest and financing charges	1,794	1,331
Municipal administration	257	254
Merchandising	667	643
Other	35	31
	<u>159,954</u>	<u>172,441</u>
Authority administration		
Salaries and employee benefits	2,822	2,838
Office operations	776	771
Professional fees	550	460
Travel	316	288
Marketing	50	57
Personnel	35	30
Directors' fees and expenses	51	46
Depreciation	56	53
Sundry	60	53
	<u>4,716</u>	<u>4,596</u>
Research and demonstration projects		<u>3</u>
	<u>164,670</u>	<u>177,040</u>
Recoveries		
Contributions from the Province of British Columbia		
Transit	65,384	77,317
Research and demonstration projects and special services		3
Contributions from municipalities	42,368	32,117
Transit operations	56,918	67,603
	<u>164,670</u>	<u>177,040</u>
NET EXPENDITURES	\$ -	\$ -

## BRITISH COLUMBIA TRANSIT

## ASSET DIVISION

## STATEMENT OF REVENUE AND EXPENDITURES AND DEFICIT

YEAR ENDED MARCH 31, 1985

	1985 (\$000)	1984 (\$000)
Revenue		
Vehicle lease fees	\$ 11,873	\$ 8,553
Other lease revenue	4,347	3,479
Financing charges - operating division	1,794	1,331
Interest earned	238	729
Other	245	13
	<u>18,497</u>	<u>14,105</u>
Expenditures		
Depreciation	10,695	9,943
Interest	3,683	1,225
Property taxes and other property expenses	2,103	2,361
Interest on obligations under capital leases	8,141	6,442
Property leases	841	908
Asset planning studies	681	
Vehicle repairs	40	64
Insurance	22	15
Other	217	204
	<u>26,423</u>	<u>21,162</u>
Expenditures before extraordinary item	7,926	7,057
Extraordinary item		
Parts inventory transferred to Metro Transit Operating Company		<u>1,155</u>
NET EXPENDITURES	7,926	8,212
DEFICIT AT BEGINNING OF YEAR	<u>8,802</u>	<u>590</u>
DEFICIT AT END OF YEAR	<u>\$ 16,728</u>	<u>\$ 8,802</u>



BRITISH COLUMBIA TRANSIT  
ASSET DIVISION  
STATEMENT OF CONTRIBUTED SURPLUS  
YEAR ENDED MARCH 31, 1985

	1985 ( \$000 )	1984 ( \$000 )
BALANCE AT BEGINNING OF YEAR	\$ 210,324	\$ 204,661
Grant from the Province of British Columbia, being equal to interest on the \$55,000,000 loan payable to the Province	<u>6,264</u>	<u>5,663</u>
BALANCE AT END OF YEAR	<u>\$ 216,588</u>	<u>\$ 210,324</u>

## BRITISH COLUMBIA TRANSIT

## STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1985

	1985 (\$000)	1984 (\$000)
CASH DERIVED FROM		
Operations		
Expenditures before extraordinary item	\$ (7,926)	\$ (7,057)
Add items not involving cash		
Depreciation	10,751	9,996
Loss (gain) on disposal of fixed assets	(206)	25
Amortization of bond discount	633	173
	<u>3,252</u>	<u>3,137</u>
Repayment of mortgage receivable	100	
Decrease (increase) in prepaid expenditures	151	(473)
Proceeds on disposal of fixed assets	206	6
Increase in notes payable	145,223	80,000
Increase in accounts payable and accrued liabilities	16,767	41,297
Proceeds on capital leases of vehicles and equipment	28,033	39,502
Proceeds on issue of long term debt	144,237	126,241
Increase in deferred revenue	2	1,499
	<u>337,971</u>	<u>291,209</u>
CASH CAPITAL APPLIED TO		
Increase (decrease) in accrued interest and accounts receivable	20,070	(5,023)
Increase in parts inventory	17	472
Increase in mortgage receivable		800
Additions to land, buildings and equipment	4,114	32,819
Additions to Advanced Light Rapid Transit	368,100	212,113
Additions to commuter rail	121	113
Parts inventory transferred to Metro Transit Operating Company		1,155
Increase in debenture sinking fund	3,886	399
Principal repayments of obligations under capital leases	1,385	2,060
	<u>397,693</u>	<u>244,908</u>
INCREASE (DECREASE) IN CASH	<u>(59,722)</u>	<u>46,301</u>
CASH AT BEGINNING OF YEAR	<u>58,866</u>	<u>12,565</u>
CASH (CHEQUES IN EXCESS OF FUNDS ON DEPOSIT) AT END OF YEAR	\$ (856)	\$ 58,866

BRITISH COLUMBIA TRANSIT  
STATEMENT OF CHANGES IN REGIONAL TRANSIT FUNDS  
YEAR ENDED MARCH 31, 1985

	<u>Vancouver</u> ( \$000 )	<u>Victoria</u> ( \$000 )	<u>Total</u> ( \$000 )
Fund balances transferred to British Columbia Transit April 1984	\$ 5,413	\$ 1,717	\$ 7,130
Revenue			
Gas tax	14,500		14,500
Non-residential property tax	6,834		6,834
Power levy	6,391	3,459	9,850
Interest earned	1,202	231	1,433
	<u>28,927</u>	<u>3,690</u>	<u>32,617</u>
1984/85 Net transit obligation	<u>(34,083)</u>	<u>(4,344)</u>	<u>(38,427)</u>
FUND BALANCE AT END OF YEAR	\$ 257	\$ 1,063	\$ 1,320

BRITISH COLUMBIA TRANSIT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

1. STATUS OF THE AUTHORITY

The Urban Transit Authority of British Columbia was created by the Province of British Columbia on June 29, 1978 under the Urban Transit Authority Act. The majority of the sections of the Act were brought into force by proclamation on July 20, 1978. During 1982 the title of the Act and the name of the Authority were changed to the British Columbia Transit Act and British Columbia Transit respectively.

2. ACCOUNTING POLICIES

(a) Operating division

The operating division consists of those assets, liabilities, expenditures and recoveries which relate to the provision of transit services and the administrative activities of the Authority, the deficits of which are fully cost-shareable between the participating municipalities and the Province of British Columbia in accordance with the provisions of the British Columbia Transit Act and the related regulations. The vehicle and property lease fees expensed in the operating division are those charged by the asset division for the lease of assets used in transit operations.

(b) Asset division

The asset division consists of those assets, liabilities, revenue and expenditures which relate to the revenue equipment and other physical assets owned by the Authority and leased to its contract operators for use in the provision of transit services.

## BRITISH COLUMBIA TRANSIT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1985

## 2. ACCOUNTING POLICIES (continued)

## (c) Fixed assets

Fixed assets have been recorded as follows:

- (i) Fixed assets transferred from the Province of British Columbia in fiscal year 1980, at appraised value. This appraisal for revenue vehicles was carried out by General Appraisal of Canada Limited as at June 30, 1979.
- (ii) Revenue vehicles acquired from British Columbia Hydro & Power Authority pursuant to the Metro Transit Operating Company Act, at appraised value. This appraisal was carried out by General Appraisal of Canada Limited as at March 1, 1980.
- (iii) Seabuses, the South Shore and North Shore Seabus Terminals, acquired from the Province of British Columbia, at appraised value. The appraisal of the seabuses and the South Shore Seabus Terminal was carried out by General Appraisal of Canada Limited as at July 15, 1980. The appraisal of the North Shore Seabus Terminal land was carried out by General Appraisal of Canada Limited as at April 1, 1981 and of the buildings and improvements as at June 30, 1981.
- (iv) The trolley overhead system acquired from British Columbia Hydro & Power Authority for nominal value of \$10 on January 1, 1984, at nominal value.
- (v) Land, land improvements, buildings and equipment acquired from British Columbia Hydro & Power Authority pursuant to the Metro Transit Operating Company Act, at appraised value. The appraisals were carried out by General Appraisal of Canada Limited as at the following dates:
 

Transit Administration Centre - SW Marine Drive	- June 9, 1980
North Shore Bus Garage - land	- April 1, 1981
North Shore Bus Garage - buildings and improvements	- June 30, 1981
Gilmore property - land	- March 15, 1982
Gilmore property - buildings and improvements	- May 15, 1982
Edmonds bus loop - land	- April 1, 1982
Other land	- April 1, 1980
Other buildings and land improvements	- March 1, 1981

All appraisals are fair market value appraisals with the exception of the appraisal of other buildings and land improvements, which are appraised at depreciated replacement cost.
- (vi) All costs related to the Advanced Light Rapid Transit (ALRT) and commuter rail projects have been capitalized including interest as indicated in note 2(d). Interest earned on funds received from the Federal and Provincial Governments has been credited to the ALRT project. No depreciation has been provided on these projects.
- (vii) All other fixed assets, at cost, including capitalized interest as indicated in note 2(d).

BRITISH COLUMBIA TRANSIT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

2. ACCOUNTING POLICIES (continued)

(c) Fixed assets (continued)

Depreciation is provided on the straight-line basis using the following annual rates:

Furniture and equipment	10%
Leasehold improvements	20%
Revenue vehicles	
Diesel	5%
Appraised revenue vehicles	Remaining useful life
Vehicles under capital leases	Remaining lease term
Buildings	Remaining useful life
Land improvements	Remaining useful life
Equipment	Remaining useful life

(d) Capitalization of interest and amortization of bond discounts

The Authority follows the policy of capitalizing interest and amortization of bond discounts incurred in connection with capital acquisitions from the date of advance of funds until the assets are placed in service for transit purposes. During the year, interest and amortization of bond discounts on long term debt of \$55,434,563 were capitalized.

(e) Government assistance

Government assistance received with respect to the Advanced Light Rapid Transit project has been credited to contributed surplus and will be credited to the project upon completion of construction and commencement of revenue service. To March 31, 1984, the amounts of grants received from the Province of British Columbia and the Federal Government total \$79,647,000.

(f) Amortization of bond discounts

Bond discounts are amortized on a straight-line basis over the term of the debt.

3. FIXED ASSETS

	1985		1984	
	Carrying value	Accumulated depreciation	Net	Net
	(\$000)	(\$000)	(\$000)	(\$000)
Furniture and equipment	\$ 430	\$ 163	\$ 267	\$ 264
Leasehold improvements	146	79	67	76
	<u>\$ 576</u>	<u>\$ 242</u>	<u>\$ 334</u>	<u>\$ 340</u>

BRITISH COLUMBIA TRANSIT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

## 4. LAND, BUILDINGS AND EQUIPMENT

	1985			1984
	Carrying value (\$000)	Accumulated depreciation (\$000)	Net (\$000)	Net (\$000)
Land	\$ 56,384	\$	\$ 56,384	\$ 52,781
Land improvements	5,042	841	4,201	4,136
Buildings	52,930	6,375	46,555	45,912
Revenue vehicles	55,801	18,727	37,074	40,964
Revenue vehicles under capital leases	77,002	10,241	66,761	71,342
Equipment	1,540	322	1,218	674
Projects in progress	3,679		3,679	6,695
	<u>\$ 252,378</u>	<u>\$ 36,506</u>	<u>\$ 215,872</u>	<u>\$ 222,504</u>

## 5. ADVANCED LIGHT RAPID TRANSIT

	1985 (\$000)	1984 (\$000)
Vehicles	\$ 58,558	\$ 37,270
Trackwork and equipment	77,475	20,749
Construction		
Guideway	166,252	80,064
Stations	46,117	4,372
System wide	72,140	31,907
Property and rights-of-way	57,369	46,737
Design engineering and administration	180,309	131,700
	658,220	352,799
Net interest expense	67,602	18,033
	725,822	370,832
Pre-build demonstration	3,602	3,602
Operations and maintenance planning	11,390	
Surrey extension	7,985	
	<u>\$ 748,799</u>	<u>\$ 374,434</u>

## 6. NOTES PAYABLE

	1985 (\$000)	1984 (\$000)
Notes payable	\$ 100,000	\$ 100,000
Commercial paper with the Province of British Columbia	145,223	
	<u>\$ 245,223</u>	<u>\$ 100,000</u>

Notes payable totalling \$100,000,000 are secured by guarantee of the Province of British Columbia.

BRITISH COLUMBIA TRANSIT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

## 7. LONG TERM DEBT

	1985 (\$'000)	1984 (\$'000)
Prime less .75% loan payable, Province of British Columbia, interest to be waived as a grant from the Province, principal due on commencement of revenue service of the Advanced Light Rapid Transit system	\$ 55,000	\$ 55,000
Prime less .75% loan payable, interest payable monthly, principal due August 5, 1985	20,000	20,000
15.54% Debenture, interest payable semi-annually, sinking fund installments of \$378,127 payable annually, due September 10, 2002	17,304	17,304
11.53% Debenture, interest payable semi-annually, sinking fund installments of \$551,348 payable annually, due May 10, 2003	25,231	25,231
11.37% Debenture, interest payable semi-annually, sinking fund installments of \$152,964 payable annually, due July 8, 2003	7,000	7,000
11.51% Debenture, interest payable semi-annually, sinking fund installments of \$164,130 payable annually, due August 10, 2003	7,511	7,511
11.65% Debenture, interest payable semi-annually, sinking fund installments of \$218,520 payable annually, due November 10, 2003	10,000	10,000
12.60% Debenture, interest payable semi-annually, sinking fund installments of \$700,859 payable annually, due April 2, 2004	32,073	
13.48% Debenture, interest payable semi-annually, sinking fund installments of \$1,295,649 payable annually, due May 10, 2004	59,292	
13.70% Debenture, interest payable semi-annually, sinking fund installments of \$1,155,337 payable annually, due June 8, 2004	52,871	
11.125% Bond payable, interest payable annually, sinking fund installments of \$1,841,450 payable annually, due December 1, 1998	50,000	50,000
8.75% Bond payable, interest payable annually, sinking fund installments of \$341,950 payable annually, due January 15, 2009	25,000	25,000
	361,282	217,046
Less unamortized discount	11,694	12,328
	349,588	204,718
12.25% Serial debenture, interest payable annually, principal repayments of \$1,400,000 payable annually commencing January 31, 1991, with a final payment of \$7,000,000 due January 31, 1996	14,000	14,000
	363,588	218,718
Less current portion	26,800	
Long term debt	<u>\$ 336,788</u>	<u>\$ 218,718</u>

Long term debt totalling \$77,046,000 is secured by guarantee of the Province of British Columbia.

Sinking fund payments due in each of the next five years are \$6,800,334 or a total of \$34,001,671.



BRITISH COLUMBIA TRANSIT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

8. OBLIGATIONS UNDER CAPITAL LEASES

The total obligation under capital leases is \$99,730,440, of which \$2,748,570 is the principal due within one year.

The obligations under capital leases, which mature at various dates from 1993 to 2004, represent the total present value of future minimum lease payments discounted at the interest rates implicit in the leases at the commencement of the lease term. These rates range from approximately 7 1/2% to 16 3/4%.

Total minimum lease payments for each of the next five years will be approximately \$13,600,000 or a total of \$68,000,000. Of these payments, approximately \$50,900,000 will constitute interest.

Obligations under capital leases totalling approximately \$91,774,000 are guaranteed by the Province of British Columbia.

9. COMMITMENTS

Effective March 31, 1981, the Authority entered into an agreement with Metro Canada Limited for the design and construction of an Advanced Light Rapid Transit system for operation in the Greater Vancouver region. As at March 31, 1984, the total approved price of the project, including design, construction and land acquisition, was approximately \$854,400,000, of which \$673,214,000 has been incurred to March 31, 1985.

10. CONTINGENT LIABILITY

Pursuant to an agreement dated February 26, 1982, the Authority received \$60,000,000 from the Government of Canada to be applied to the Advanced Light Rapid Transit project. The Authority is contingently liable for repayment of some or all of the funds in the event of non-compliance with certain provisions of an agreement.

11. SUBSEQUENT EVENT

Effective June 1, 1985, the British Columbia Transit Amendment Act (No. 2), 1985 merged the Metro Transit Operating Company with British Columbia Transit. Pursuant to the Act, the Authority assumed all property, rights, debts and obligations as well as responsibility for all employees of the operating company.

BRITISH COLUMBIA TRANSIT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

12. LABOUR RELATIONS

During the year, the labour contract between Metro Transit Operating Company and the Independent Canadian Transit Chain Union, which had expired on March 31, 1983, was renegotiated. The new agreement is for the period April 1, 1983 to March 31, 1987. The terms of the new agreement required wage and benefit increases for the year ended March 31, 1984 in the amount of \$2,690,000 which have been charged to operating division expenditures in the current year.

13. COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform with the presentation adopted in the current year.

**CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY TRUST FUND**

Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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**AUDITOR'S REPORT**

To the Members of the Creston Valley Wildlife Management Authority, and

To the Minister of Environment  
Province of British Columbia

I have examined the balance sheet of the Creston Valley Wildlife Management Authority Trust Fund as at 31 March 1985 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at 31 March 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles, as modified by note 2(c) to the financial statements, applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading 'Erma Morrison'.

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
30 May 1985

## CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

## TRUST FUND

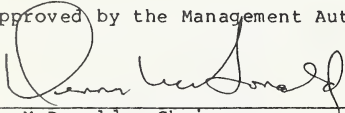
## BALANCE SHEET

AS AT 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
ASSETS		
Cash	\$ 8,346	\$ 19,356
Short-term investments	67,968	51,600
Accrued interest receivable	4,805	3,318
Inventory	<u>8,389</u>	<u>5,417</u>
	89,508	79,691
Long-term investments	110,025	87,933
Fixed assets	<u>1</u>	<u>1</u>
	<u>\$199,534</u>	<u>\$167,625</u>
LIABILITIES		
Deferred revenue	\$ -	\$ 950
Refundable security deposits	<u>1,395</u>	<u>1,296</u>
	1,395	2,246
SURPLUS	<u>198,139</u>	<u>165,379</u>
	<u>\$199,534</u>	<u>\$167,625</u>

The accompanying notes are an integral part  
of these financial statements.

Approved by the Management Authority

  
\_\_\_\_\_  
D. McDonald - Chairman

  
\_\_\_\_\_  
J. Stoner - Member

## CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

## TRUST FUND

## STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
REVENUE		
Grants		
Province of British Columbia	\$ 75,000	\$ 75,000
Government of Canada	<u>75,000</u>	<u>75,000</u>
	<u>150,000</u>	<u>150,000</u>
Operations		
Campground	12,761	14,531
West Meadows	11,635	8,795
Donations	1,910	2,905
Publications and other sales	9,211	7,486
Interest	24,713	13,378
Permits and sundry	<u>12,739</u>	<u>8,722</u>
	<u>72,969</u>	<u>55,817</u>
	<u>222,969</u>	<u>205,817</u>
EXPENDITURE		
Campground	12,696	20,467
West Meadows	4,155	6,603
Public services and information	49,261	41,151
Visitor Centre	6,709	-
Habitat management	43,823	39,341
Administration and general	71,909	78,751
Office furniture and equipment	182	1,284
Buildings	<u>1,474</u>	<u>635</u>
	<u>190,209</u>	<u>188,232</u>
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	32,760	17,585
SURPLUS - BEGINNING OF YEAR	<u>165,379</u>	<u>147,794</u>
SURPLUS - END OF YEAR	<u>\$198,139</u>	<u>\$165,379</u>

## CRESTON VALLEY WILDLIFE MANAGEMENT AUTHORITY

## TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

1. Trust Fund

The Creston Valley Wildlife Management Authority was established by the Creston Valley Wildlife Act. The Trust Fund is established by Section 20 of that Act and includes all funds of the management authority, except money appropriated by the legislature otherwise than by way of grants to the Trust Fund. All money of the Trust Fund is to be applied for wildlife conservation, management and development in the Creston Valley wildlife management area.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles, except as modified by note c) below. Significant accounting policies followed in the preparation of these financial statements are:

- a) Inventory is valued at lower of cost and net realizable value.
- b) Long-term investments are recorded at cost with the discount amortized on a straight line basis over the terms of the investments.
- c) Fixed assets are recorded as expenditures in the year of acquisition.

3. Subsequent Events

- a) Since the establishment of the Trust Fund (1970), the Ministry of Environment of the Government of British Columbia has paid directly for certain expenditures of the Management Authority. Effective 1 April 1985, the Government will provide additional grants to the Trust Fund, which will pay for these expenditures.
- b) The Creston Valley Wildlife Interpretation Centre, operated by the Canadian Wildlife Service of the federal government, provides nature education in the management area. Effective 1 April 1985, the Centre will be managed by the Authority. Additional grants will be received from both the federal and provincial governments for operating the Centre.

4. Comparative Figures

The 1984 comparative figures for grazing expenditures have been reclassified to conform with the financial statement presentation adopted in 1985.

## DISCOVERY FOUNDATION

**THORNE  
RIDDELL**

Chartered Accountants



## AUDITORS' REPORT

To the Trustees of  
Discovery Foundation

We have examined the consolidated balance sheet of Discovery Foundation as at March 31, 1985 and the consolidated statements of operations and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Foundation as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada  
June 4, 1985

Chartered Accountants

DISCOVERY FOUNDATION  
(Incorporated under the Society Act of British Columbia)

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1985

ASSETS	<u>1985</u>	<u>1984</u> (restated - note 2)
<b>CURRENT ASSETS</b>		
Cash	-	\$ 91,901
Accounts receivable	\$ 210,848	101,054
Receivable from Discovery Enterprise Program (note 3)	173,360	57,315
Prepaid expenses	<u>20,719</u>	<u>33,693</u>
	<u>404,927</u>	<u>283,963</u>
<b>INVESTMENT IN RESEARCH PARKS</b>		
Willingdon	5,869,291	5,686,810
Simon Fraser University	2,922,219	2,922,219
University of British Columbia	229,463	204,449
Pacific Aquaculture Centre	<u>97,751</u>	<u>88,647</u>
	9,118,724	8,902,125
Less accumulated depreciation	<u>20,400</u>	<u>10,200</u>
	<u>9,098,324</u>	<u>8,891,925</u>
<b>FUNDS APPROPRIATED FOR RESEARCH PARK DEVELOPMENT (note 4)</b>	<u>3,668,026</u>	<u>957,765</u>
<b>FIXED ASSETS, less accumulated depreciation and amortization (note 5)</b>	<u>465,986</u>	<u>358,005</u>
<b>DEFERRED CHARGES, less accumulated amortization (note 6)</b>	<u>2,328,523</u>	<u>3,228,513</u>
	<u>\$15,965,786</u>	<u>\$13,720,171</u>

LIABILITIES AND EQUITY IN RESEARCH FACILITIES

<b>CURRENT LIABILITIES</b>		
Cheques outstanding in excess of funds on deposit	\$ 50,620	-
Accounts payable and accrued liabilities	353,694	\$ 396,499
Holdbacks payable	11,259	8,217
Rent received in advance	<u>200,340</u>	<u>217,565</u>
	615,913	622,281
<b>PACIFIC AQUACULTURE CENTRE DEVELOPMENT LOAN (note 7)</b>	2,630,000	-
<b>EQUITY IN RESEARCH FACILITIES</b>	<u>12,719,873</u>	<u>13,097,890</u>
	<u>\$15,965,786</u>	<u>\$13,720,171</u>

Contingency and commitments (note 9)

Approved by the Board of Trustees

Trustee

Trustee

*And Kingston*  
*Miner*



DISCOVERY FOUNDATION  
CONSOLIDATED STATEMENT OF OPERATIONS  
YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u> (restated - note 2)
Revenue		
Funds provided by the Province of British Columbia	\$ 795,300	\$ 950,000
Interest on appropriated funds	<u>362,096</u>	<u>82,747</u>
	<u>1,157,396</u>	<u>1,032,747</u>
Expenses		
Net cost of subsidizing rents for high technology companies in the start-up phase (schedule 1)	657,054	975,022
Net cost of support provided the B.C. Innovation Office (schedule 2)	133,059	27,931
Discovery Enterprise Program start-up and unrecoverable costs	8,557	51,855
Advertising and promotion	131,215	78,034
Consulting and architectural fees	40,825	77,589
Debenture issue costs, net of related interest earned of \$61,056	-	24,809
Depreciation and amortization	30,142	26,919
Office and general	102,791	109,050
Professional fees	73,022	59,867
Proposal and project start-up costs	34,785	81,467
Salaries and benefits	299,731	302,193
Travel and public relations	<u>24,232</u>	<u>27,278</u>
	<u>1,535,413</u>	<u>1,842,014</u>
Excess of expenses over revenue for the year	<u>378,017</u>	<u>809,267</u>
Equity in research facilities at beginning of year		
As previously reported	12,820,419	13,864,711
Reversal of prior years' capital taxes (note 2(a))	72,446	42,446
Adjustment of prior year's depreciation on research parks (note 2(b))	<u>205,025</u>	<u>-</u>
As restated	<u>13,097,890</u>	<u>13,907,157</u>
EQUITY IN RESEARCH FACILITIES AT END OF YEAR	<u>\$12,719,873</u>	<u>\$13,097,890</u>

DISCOVERY FOUNDATION  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u> (restated - note 2)
WORKING CAPITAL DERIVED FROM		
Operations		
Excess of expenses over revenue	\$ 378,017	\$ 809,267
Less depreciation and amortization, an item not involving working capital	<u>1,058,343</u>	<u>903,143</u>
	680,326	93,876
Pacific Aquaculture Centre development loan	<u>2,630,000</u>	-
	<u>3,310,326</u>	<u>93,876</u>
WORKING CAPITAL APPLIED TO		
Investment in research parks		
Willingdon	182,481	188,714
Simon Fraser University	-	103,848
University of British Columbia	25,014	20,742
Pacific Aquaculture Centre	9,104	88,647
Funds appropriated for research park development	2,710,261	957,765
Fixed assets	<u>256,134</u>	<u>282,442</u>
	<u>3,182,994</u>	<u>1,642,158</u>
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	<u>127,332</u>	<u>(1,548,282)</u>
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR		
As previously reported	(410,764)	1,167,518
Reversal of prior years' capital taxes (note 2(a))	<u>72,446</u>	<u>42,446</u>
As restated	<u>(338,318)</u>	<u>1,209,964</u>
WORKING CAPITAL DEFICIENCY AT END OF YEAR	<u>\$ 210,986</u>	<u>\$ 338,318</u>

DISCOVERY FOUNDATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

The Foundation was incorporated on September 24, 1979 under the provisions of the Society Act of British Columbia and is a registered charitable organization. These consolidated financial statements include the accounts of the Foundation and its wholly-owned subsidiary companies:

Discovery Parks Incorporated (acts as agent for the Foundation)  
272319 B.C. Ltd. and its subsidiary company 3112 Investments Ltd.

(a) Depreciation and amortization

Fixed assets are stated at cost with depreciation and amortization provided as follows:

- (i) Furniture and fixtures are depreciated over their estimated useful lives using the declining balance method at an annual rate of 20% from month of purchase.
- (ii) Leasehold improvements are amortized using the straight-line method over the term of the lease plus one renewal period.
- (iii) The parking lot is being depreciated over its estimated useful life using the declining balance method at an annual rate of 8% from month of completion.

(b) Investment in research parks

Costs related directly to the site development of the research parks are capitalized. Included in this capitalization are property taxes on non-operating building sites. Depreciation is provided on building sites which are operational on the straight-line basis over 40 years.

2. RESTATED AMOUNTS

- (a) During the year, the Foundation received confirmation from the British Columbia corporate capital tax authorities that it was exempt from capital taxation. Amounts had been paid and accrued on account of capital tax since 1982. These consolidated financial statements have been retroactively restated to reflect reversal of these amounts. At March 31, 1984, accounts payable were decreased by \$63,645, accounts receivable were increased by \$8,801 and equity in research parks was increased by \$72,446. The excess of expenses over revenue for the year ended March 31, 1984 was decreased by \$30,000 and for prior years by \$42,446.

- 2 -

## 2. RESTATED AMOUNTS (continued)

- (b) During the year, the Foundation refined the basis of allocating costs capitalized as research parks to building sites within each park. This results in a reduction of the amount allocated to operating building sites and the depreciation provided thereon.

These consolidated financial statements have been retroactively restated to reflect this change, increasing net investment in research parks and equity in research facilities at March 31, 1984 and decreasing the net cost of subsidizing rents for high technology companies in the start-up phase for the year ended March 31, 1984, by \$205,025.

## 3. RECEIVABLE FROM DISCOVERY ENTERPRISE PROGRAM

The Foundation, under contract with the Province of British Columbia, dated December 5, 1983 and renewed in August, 1984, acts as agent for and administers the Discovery Enterprise Program. This program is an initiative of the Province of British Columbia to provide venture capital funding to advanced technology enterprises for the development and marketing of products or processes. The Foundation is reimbursed for costs of administering the program to the extent of program investment performance.

## 4. FUNDS APPROPRIATED FOR RESEARCH PARK DEVELOPMENT

As at March 31, the Foundation held cash and investments which were committed to the development of the following research parks:

	1985	1984
University of British Columbia	\$ 468,000	\$475,000
Pacific Aquaculture Centre	2,903,427	-
Other	296,599	482,765
	<u>\$3,668,026</u>	<u>\$957,765</u>

## 5. FIXED ASSETS

	1985		1984	
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Furniture and fixtures	\$ 93,091	\$ 31,251	\$ 61,840	\$ 46,897
Leasehold improvements:				
Discovery Foundation premises	88,908	41,185	47,723	61,425
Tenant space	471,359	192,305	279,054	249,683
Parking lots	79,489	2,120	77,369	-
	<u>\$732,847</u>	<u>\$266,861</u>	<u>\$465,986</u>	<u>\$358,005</u>

- 3 -

## 6. DEFERRED CHARGES

Deferred charges consist of prepaid rent which arose on sale and leaseback of the Foundation's multi-tenant facility at Willingdon during the year ended March 31, 1983. The balance of the prepaid rent is being amortized on the sinking fund basis over the remaining term of the lease, expiring May, 1987. It is a component of the net cost of subsidizing rents for high technology companies in the start-up phase.

## 7. PACIFIC AQUACULTURE CENTRE DEVELOPMENT LOAN

During the year, the Foundation received \$2,630,000 as a loan from the Province of British Columbia, under the federally and provincially sponsored Industrial Development Subsidy Agreement, to be used exclusively for the construction of the Pacific Aquaculture Centre on Vancouver Island, British Columbia. No interest is payable on the loan until April 1, 1986, after which interest will be charged at approximately one-half of the bank prime rate. The loan will be repaid in seven equal annual instalments of \$105,200 plus interest, commencing April 1, 1987, with the remaining \$1,893,600 to be paid on April 1, 1994.

## 8. PART VIII TAXES RECOVERABLE

During 1984, a subsidiary of the Foundation issued and redeemed a debenture meeting the requirements of the Income Tax Act for Scientific Research Tax Credits. The details of the debenture issue are as follows:

Issue proceeds	\$10,000,000
Redemption amount	<u>5,020,000</u>
Deferred research and development credit, being net proceeds of issue and redemption	<u>\$ 4,980,000</u>

The issue and redemption gave rise to a liability for refundable Part VIII taxes of \$5,000,000 which have been paid. These refundable Part VIII taxes are recoverable at any time in the future at the rate of \$1 for every \$2 of qualified research and development expenditure incurred and additional financing will be required to incur such expenditures. The refundable tax and related deferred research and development credit are not reflected on the balance sheet and will be recorded in the accounts when qualified expenditures are made and refunds are received in the future.

## 9. CONTINGENCY AND COMMITMENTS

- (a) The Foundation has issued letters of credit totalling \$57,330 to the Corporation of the District of Burnaby as bonds for compliance with the municipal regulations pertaining to the construction of research parks in Burnaby, B.C.
- (b) In 1981 and 1982, the Foundation leased two parcels of land for terms of 75 years each. The leases require minimal rental payments in the first ten years of \$2,500 per hectare of land used (estimated 1986 rental is \$17,000), and thereafter rental payments are based on the fair market value for rental of the land.

- 4 -

9. CONTINGENCY AND COMMITMENTS (continued)

- (c) A lien claim in the amount of \$588,000 has been filed by a contractor hired by a former tenant who is now bankrupt. The Foundation does not recognize this lien as a valid claim. Should the courts decide against the Foundation in this action, any adjustment necessary would be treated as a prior period adjustment.

10. COMPARATIVE FIGURES

Certain 1984 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1985.

DISCOVERY FOUNDATION  
NET COST OF SUBSIDIZING RENTS FOR SCHEDULE 1  
HIGH TECHNOLOGY COMPANIES IN THE START-UP PHASE  
YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u> (restated - note 2)
Operating expenses		
Amortization of prepaid rent	\$ 899,990	\$ 803,562
Depreciation	128,211	72,662
General operating	467,185	407,433
Property taxes	548,893	543,673
Bad debts	38,896	-
	<u>2,083,175</u>	<u>1,827,330</u>
Less rental income	<u>1,426,121</u>	<u>852,308</u>
	<u>\$ 657,054</u>	<u>\$ 975,022</u>

## DISCOVERY FOUNDATION

## NET COST OF SUPPORT PROVIDED

## SCHEDULE 2

## THE B.C. INNOVATION OFFICE

YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
Operating expenses		
Salaries and benefits	\$ 85,462	\$ 35,054
Consultant studies	45,395	18,857
Office supplies	33,337	24,635
Office rent	25,930	16,900
Travel and public relations	14,704	12,935
Telephone	9,325	5,823
Computer equipment lease	7,697	3,228
Postage and carrier	7,119	7,123
Computer software	-	3,376
Miscellaneous	4,090	-
	<u>233,059</u>	<u>127,931</u>
Less contributed funds from the Province of British Columbia	<u>100,000</u>	<u>100,000</u>
	<u>\$133,059</u>	<u>\$ 27,931</u>



**EXPO 86 CORPORATION**

Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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**AUDITOR'S REPORT**

To the Board of Directors of Expo 86 Corporation, and

To the Minister of Tourism  
Province of British Columbia

I have examined the statement of financial position of Expo 86 Corporation as at 31 March 1985 and the statements of source and use of cash, deferred installation costs, deferred operating costs by account and by division, and deferred revenues for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at 31 March 1985 and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

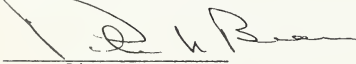
Victoria, British Columbia  
18 April 1985

EXPO 86 CORPORATION  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 1985

	March 31 1985 \$	March 31 1984 \$
<u>ASSETS</u>		
Cash	2,979,181	-
Accounts Receivable	817,603	20,798,808
Deferred Costs		
Installations	174,976,738	21,793,326
Properties	39,188,969	29,775,811
Operating	<u>67,637,841</u>	<u>26,888,979</u>
	<u>281,803,548</u>	<u>78,458,116</u>
	<u>285,600,332</u>	<u>99,256,924</u>
<u>LIABILITIES AND DEFERRED REVENUES</u>		
Bank Overdraft	-	586,168
Accounts Payable and Accrued Liabilities	22,699,594	22,763,540
Notes Payable to Province of British Columbia (Note 3)	203,271,099	43,747,698
Deferred Revenues	<u>59,629,639</u>	<u>32,159,518</u>
	<u>285,600,332</u>	<u>99,256,924</u>

The accompanying Notes are an integral part of these Financial Statements.

Approved By The Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

EXPO 86 CORPORATION  
STATEMENT OF SOURCE AND USE OF CASH  
FOR THE YEAR ENDED MARCH 31, 1985

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	Year Ended March 31, 1985 \$	Year Ended March 31, 1984 \$	Total to Date \$
<u>SOURCES OF CASH</u>			
Deferred Revenues	27,470,122	29,139,662	59,629,639
Add (deduct) cash flow effect of change in Accounts Receivable	19,981,204	(20,662,526)	(817,603)
Notes issued - net	<u>159,523,401</u>	<u>43,747,698</u>	<u>203,271,099</u>
	<u>206,974,727</u>	<u>52,224,834</u>	<u>262,083,135</u>
<u>USES OF CASH</u>			
Installations	153,183,412	19,181,469	174,976,738
Properties	9,413,158	29,534,146	39,188,969
Deferred Operating Costs	40,748,861	18,242,961	67,637,841
Add (deduct) cash flow effect of change in Accounts Payable	<u>63,947</u>	<u>(20,181,043)</u>	<u>(22,699,594)</u>
	<u>203,409,378</u>	<u>46,777,533</u>	<u>259,103,954</u>
Increase (Decrease) in Cash for the Year	3,565,349	5,447,301	2,979,181
Balance at Beginning of Year	<u>(586,168)</u>	<u>(6,033,469)</u>	<u>-</u>
Balance at End of Year	<u>2,979,181</u>	<u>(586,168)</u>	<u>2,979,181</u>

EXPO 86 CORPORATION  
STATEMENT OF DEFERRED INSTALLATION COSTS  
FOR THE YEAR ENDED  
MARCH 31, 1985

	Year Ended March 31, 1985	Year Ended March 31, 1984	Total to Date
	\$	\$	\$
International Pavilions	17,003,402	883,266	17,886,668
Theme Pavilions	2,821,066	38,922	2,859,988
Expo Centre	20,376,120	157,152	20,533,272
B. C. Pavilion	31,281,000	771,000	32,052,000
Theatres	2,525,202	-	2,525,202
Food Services	7,051,910	-	7,051,910
Merchandising	1,975,321	-	1,975,321
Rides	2,034,461	-	2,034,461
Transportation	5,522,798	-	5,522,798
Support Facilities	2,803,500	1,670,616	4,712,592
Gates	2,687,085	-	2,687,085
Folklife	1,842,840	-	1,842,840
Theming	142,147	-	142,147
Site Services	3,442,580	-	3,442,580
Signage	234,766	-	234,766
Landscaping	1,688,454	-	1,688,454
Site Development	6,330,961	1,798,001	8,128,962
Piling & Decking	27,848,875	2,402,564	30,251,439
Indirect Costs	5,571,223	838,041	6,674,323
Capital Equipment	379,709	-	379,709
Design Engineering	<u>9,619,992</u>	<u>10,621,907</u>	<u>22,350,221</u>
	<u>153,183,412</u>	<u>19,181,469</u>	<u>174,976,738</u>

EXPO '86 CORPORATION  
STATEMENT OF DEFERRED OPERATING COSTS - BY ACCOUNT  
FOR THE YEAR ENDED  
MARCH 31, 1985

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	<u>Year Ended</u> <u>March 31, 1985</u> \$	<u>Year Ended</u> <u>March 31, 1984</u> \$	<u>Total to Date</u> \$
Compensation	12,248,010	3,823,232	17,706,663
Benefits	1,938,471	475,505	2,589,506
Travel & Business	1,039,320	695,061	2,322,402
Vehicle Expense	341,104	-	341,104
Insurance	529,427	682,462	1,231,550
Professional Services	3,672,321	3,734,419	10,618,439
Office Expenses	1,489,690	1,637,061	3,655,801
Supplies	24,815	-	24,815
Promotion	2,909,237	1,332,122	5,687,452
Advertising	1,140,184	213,833	1,363,009
Outside Services	669,984	939,810	1,746,328
Rentals	1,967,158	1,292,598	3,835,524
Utilities	562,251	710,403	1,372,529
Talent	81,696	-	81,696
Symposia	<u>291,138</u>	<u>307,418</u>	<u>598,556</u>
TOTAL			
CORPORATE OPERATING	28,904,806	15,843,924	53,175,374
Interest	<u>11,844,055</u>	<u>2,399,037</u>	<u>14,462,467</u>
DEFERRED OPERATING			
COSTS	<u>40,748,861</u>	<u>18,242,961</u>	<u>67,637,841</u>

EXPO 86 CORPORATION  
STATEMENT OF DEFERRED OPERATING COSTS - BY DIVISION  
FOR THE YEAR ENDED  
MARCH 31, 1985

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	Year Ended March 31, 1985 \$	Year Ended March 31, 1984 \$	Total to Date \$
Executive	2,732,353	1,072,093	5,000,025
Marketing and Corporate Participation	4,727,786	2,372,421	7,580,352
Communications	2,565,664	1,687,632	5,025,614
Operations	5,257,387	1,713,179	8,597,897
Finance & Administration	7,758,432	7,162,790	17,709,686
International Exhibitors	816,995	627,533	1,901,673
Planning & Development	2,501,111	484,391	3,464,028
Construction	<u>2,545,078</u>	<u>723,885</u>	<u>3,896,099</u>
TOTAL CORPORATE OPERATING	28,904,806	15,843,924	53,175,374
INTEREST	<u>11,844,055</u>	<u>2,399,037</u>	<u>14,462,467</u>
DEFERRED OPERATING COSTS	<u>40,748,861</u>	<u>18,242,961</u>	<u>67,637,841</u>

EXPO 86 CORPORATION  
STATEMENT OF DEFERRED REVENUES  
FOR THE YEAR ENDED  
MARCH 31, 1985

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	<u>Year Ended</u> <u>March 31, 1985</u> \$	<u>Year Ended</u> <u>March 31, 1984</u> \$	<u>Total to Date</u> \$
Admissions	92,399	-	92,399
Corporate Sponsor	720,005	801,312	1,521,317
International Participants	802,988	-	802,988
Concessionaire Revenue	500,000	-	500,000
Grants & Miscellaneous	405,384	88,350	3,513,589
Lottery	<u>24,949,346</u>	<u>28,250,000</u>	<u>53,199,346</u>
Deferred Revenues	<u>27,470,122</u>	<u>29,139,662</u>	<u>59,629,639</u>

EXPO 86 CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

1. The Corporation - Statutory Requirements

Expo 86 Corporation is a non-profit agent of the Crown incorporated under Revised Statutes of British Columbia 1980 Chapter 59 as amended for the sole purpose of organizing and operating the 1986 World Exposition.

2. Significant Accounting Policies

The Exposition is governed by the rules set out under the Bureau of International Expositions. Under the rules for the theme fair category, both domestic and corporate participants are required to design and supply their own buildings and displays for the Exposition. Consequently, the accounts of Expo 86 Corporation do not include any provision for expenditures incurred, by the Federal and Provincial governments and various Corporation's to construct the Canadian pavilion, Provincial pavilions, and various corporate pavilions.

As the Corporation has been incorporated for a single purpose, its financial results can best be evaluated in the context of the period from its inception to the closure of the Exposition. The financial statement presentation is designed to provide such information following generally accepted accounting principles. Significant accounting policies adopted are as follows:



EXPO 86 CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

- a) Installation costs reflect expenditures by the Corporation to construct, develop or acquire permanent and temporary facilities, including furnishings, equipment and exhibitry, required for staging the Exposition. Such expenditures are recorded at cost and are not depreciated on a year by year basis. To the extent that the original cost of installations exceeds the residual value at the completion of the Exposition, these costs will be charged against operations during the operating period of the Exposition which falls within the fiscal year ended March 31, 1987.
- b) Property costs reflect the cost to the Corporation of obtaining the rights to the use of property required for staging the Exposition. Such properties are carried at the sum of the net payments made under the leases or other agreements. To the extent that the property costs exceed the residual value at the completion of the Exposition, these expenditures will be charged against operations during the operating period of the Exposition.
- c) Operating costs are comprised of expenditures incurred in planning and organizing the Exposition. These costs are deferred and will be charged against operations during the operating period of the Exposition.

EXPO 86 CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

- d) Grants from governments and revenues from Exposition sponsors, participants, concessionaires and miscellaneous sources are recorded as deferred revenue. Such deferred revenue will be credited against operations during the operating period of the Exposition.
- e) The Corporation enters into contractual agreements to provide sponsorships, official supplier designation and certain other rights to various parties, in exchange for goods or services provided to the Corporation. Where goods or services received by the Corporation are non-monetary in nature, they are recorded at fair market value as deferred revenues and deferred costs.

3. Notes Payable to Province of British Columbia

The Corporation has a funding agreement with the Province of British Columbia whereby funding required by the Corporation to carry out its day-to-day operations, over and above revenues received from all sources, is provided by the Province of British Columbia up to a maximum of \$300 million as approved by Orders-in-Council. Under the funding agreement, short term borrowings are renewed upon maturity, as required by the Corporation.

At March 31, 1985, notes totalling \$ 203,271,099 are outstanding, with maturity dates ranging from April 1, 1985 to May 22, 1985, and with interest rates varying from 9.45% to 12.33%.

EXPO 86 CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

4. Commitments

At March 31, 1985 the Corporation had outstanding commitments under construction contracts, employment contracts, lease agreements for properties, office space and equipment and unfilled purchase orders for approximately \$ 112,526,414.

5. Related Party Transactions

- a) Under an agreement with B. C. Place Ltd., a British Columbia Crown Corporation, Expo 86 Corporation has acquired the right to the use of certain B. C. Place lands for the consideration of \$1 plus cost sharing commitments in the funding of certain site improvements and building structures.

The major transactions involved under this agreement include:

	Amounts Per Agreement (in millions)	Amounts Paid as at March 31, 1985 (in millions)
Contribution for Seawall Construction	\$ 8.5	\$ 8.5
Contribution for Construction of B. C. Pavilion	22.7	13.1
Contribution for Construction of Roundhouse	<u>4.3</u>	<u>2.1</u>
	\$ <u>35.5</u>	<u>23.7</u>

EXPO 86 CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

Expo has also agreed to reimburse costs incurred by B. C. Place Ltd. to acquire the Expo site in time to stage the Exposition. In this regard, B. C. Place Ltd. is presently involved in legal arbitration involving the expropriation of the False Creek Marina site. Under the agreement, between B. C. Place Ltd. and Expo 86 Corporation, the Corporation is liable for any costs arising from the expropriation. The total costs, based on submissions of the various parties to the arbitrator range between \$3 and \$25 million, of which Expo 86 Corporation has paid approximately \$3 million as at March 31, 1985. Expo 86 management feel the maximum settlement will not exceed \$7 million.

Amounts paid during the year to B. C. Place Ltd., including the above transactions, totalled \$ 32,453,896. The amount due to B. C. Place Ltd. at March 31, 1985 is \$ 1,901,991.

- b) During the year, the Corporation made a \$19 million contribution to B. C. Pavilion Corporation, a British Columbia Crown Corporation, towards the cost of exhibits included in the B. C. Pavilion complex. This amount is included in Deferred Installation costs as part of the B. C. Pavilion category.
- c) During the year the Corporation paid \$ 824,428 under agreements entered into with other Crown Corporations for the right to the use of certain properties.

EXPO 86 CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 1985

- d) In the normal course of its operations, the Corporation acquired goods and services from the Province of British Columbia and certain Crown Corporations, predominantly under prevailing trade terms.
- e) The Province of British Columbia has committed \$250 million of lottery funds to Expo 86 Corporation. At March 31, 1985 lottery contributions to Expo 86 Corporation total \$ 53,199,346.

6. Comparative Figures

Certain 1984 amounts have been reclassified where appropriate to conform with the presentation adopted in 1985.

## HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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### AUDITOR'S REPORT

To the Chairman and Members of the Board of the  
Health Facilities Association of British Columbia, and

To the Minister of Health  
Province of British Columbia:

I have examined the balance sheet of the Health Facilities Association of British Columbia as at 31 March 1985 and the statements of revenue, expenditures and surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Association as at 31 March 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies disclosed in note 2 to the financial statements, applied, after giving retroactive effect to the change regarding the reporting of interest earnings on short-term investments held with the Provincial Treasury described in note 3, on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
24 July 1985

## HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

## BALANCE SHEET

AS AT 31 MARCH 1985

ASSETS

	<u>1985</u>	<u>1984</u>
CURRENT ASSETS		
Cash and short-term investments	\$ 2,182,877	\$12,858,508
Accrued interest receivable	<u>133,800</u>	<u>197,973</u>
	<u>2,316,677</u>	<u>13,056,481</u>
NON-CURRENT ASSETS		
Grants to hospitals (note 2)	77,328,529	73,977,040
Mortgage receivable	<u>4,825,317</u>	<u>5,046,670</u>
	<u>82,153,846</u>	<u>79,023,710</u>
	<u>\$84,470,523</u>	<u>\$92,080,191</u>

LIABILITIES AND SURPLUS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,090,334	\$ 6,282,404
Current obligations on debentures	<u>6,326,334</u>	<u>6,119,393</u>
	<u>9,416,668</u>	<u>12,401,797</u>
LONG-TERM DEBT		
Debentures (note 4)	91,807,624	89,912,253
Less sinking funds on deposit (note 5)	<u>17,187,472</u>	<u>10,600,187</u>
	<u>74,620,152</u>	<u>79,312,066</u>
Total liabilities	84,036,820	91,713,863
SURPLUS	<u>433,703</u>	<u>366,328</u>
	<u>\$84,470,523</u>	<u>\$92,080,191</u>

The accompanying notes are an integral part  
of these financial statements

APPROVED BY THE BOARD

John D. Herbert

[Signature]

## HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

## STATEMENT OF REVENUE, EXPENDITURES AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
REVENUE		
Grants from the Province of British Columbia	\$17,534,090	\$16,084,267
Interest on short-term investments (Note 3)	-	921,960
Interest on mortgage receivable	629,005	631,719
Interest on sinking fund investments	<u>1,281,473</u>	<u>539,817</u>
	<u>\$19,444,568</u>	<u>18,177,763</u>
EXPENDITURES		
Interest on debentures	12,107,994	11,403,640
Transfers to the Province of B.C. (Note 3)	-	1,255,110
Amortization of grants to hospitals	7,263,619	6,137,594
Trust management fees	5,051	40,012
Miscellaneous expenses	<u>529</u>	<u>325</u>
	<u>\$19,377,193</u>	<u>\$18,836,681</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	67,375	(658,918)
SURPLUS AT BEGINNING OF YEAR	<u>366,328</u>	<u>1,025,246</u>
SURPLUS AT END OF YEAR	<u>\$ 433,703</u>	<u>\$ 366,328</u>



## HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

## STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
WORKING CAPITAL PROVIDED BY		
Operations		
Excess (deficiency) of revenue over expenditures	\$ 67,375	\$ (658,918)
Add: Amortization of grants to hospitals	<u>7,263,619</u> <u>7,330,994</u>	<u>6,137,594</u> <u>5,478,676</u>
Issue of sinking fund debentures	3,000,000	12,000,000
Reduction of mortgage receivable	<u>221,353</u>	<u>196,552</u>
	<u>10,552,347</u>	<u>17,675,228</u>
WORKING CAPITAL APPLIED TO		
Grants to hospitals	10,615,109	19,341,199
Contributions to sinking funds and repayment of debt	7,484,973	6,334,145
Increase in current obligations on debentures	<u>206,941</u>	<u>384,372</u>
	<u>18,307,023</u>	<u>26,059,716</u>
DECREASE IN WORKING CAPITAL	(7,754,676)	(8,384,488)
WORKING CAPITAL AT BEGINNING OF YEAR	<u>654,684</u>	<u>9,039,172</u>
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u><u>\$ (7,099,992)</u></u>	<u><u>\$ 654,684</u></u>

## HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

1. Nature of the Association

Health Facilities Association of British Columbia was incorporated under the Society Act on 15 October 1975. The Association raises capital through the issuance of debentures to the British Columbia Regional Hospital Districts Financing Authority to assist in financing the capital costs of hospital projects, medical and health facilities, and community human resources and health centres in the Province of British Columbia. Costs of servicing the debentures are paid through grants received from the Province of British Columbia.

2. Significant Accounting Policies

- a. Grant payments to hospitals financed by debenture proceeds are recorded as a non-current asset when approved for payment by the Ministry of Health. This asset is then amortized by an amount equivalent to contributions to the sinking funds, interest on sinking fund investments and reductions of debenture principal.
- b. Grants from the Province of British Columbia are recorded when paid by the Province.
- c. Short-term investments owned by the Association are managed by the Provincial Treasury. Interest earned on these short-term investments accrues to the Province of British Columbia net of management and administrative fees charged by the Ministry of Finance. Therefore interest from short-term investments is not recorded by the Association.

3. Accounting Change

Effective 1 November 1983, the Association agreed with the Ministry of Finance that interest earnings on short-term investments held with the Provincial Treasury, net of management and administrative fees charged by the Ministry of Finance be transferred to the Province of British Columbia. For the year ending 31 March 1984 the Association reported the interest earnings and transfers to the Province for the period from 1 November 1983 to 31 March 1984 as Association transactions. In 1985, the Association has changed this policy to no longer report these transactions. The effect of this change is that the 1984 comparative figures for interest on short-term investments and transfers to the Province of British Columbia have each been reduced by \$466,056. In addition, cash and short-term investments, accrued interest receivable and due to the Province of British Columbia have been reduced by \$165,541, \$300,515 and \$466,056 respectively. This change has no effect on the 1984 deficiency of revenue over expenditures or on surplus.

## HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

4. Debentures

Debentures issued to the British Columbia Regional Hospital Districts Financing Authority:

	<u>1985</u>	<u>1984</u>
Series JD 8.95% due 10 December 1995	\$ 1,500,000	\$ 1,500,000
Series JF 9.03% due 9 April 1996	5,000,000	5,000,000
Series JG 9.04% due 7 May 1996	3,000,000	3,000,000
Series KB 10.00% due 13 September 1996	2,000,000	2,000,000
Series KO 10.49% due 10 October 1999	5,000,000	5,000,000
Series KR 12.74% due 10 March 2000	10,000,000	10,000,000
Series K3 13.13% due 10 March 2001	10,000,000	10,000,000
Series K4 13.66% due 10 April 2001	2,000,000	2,000,000
Series K12 15.93% due 10 December 2001	3,000,000	3,000,000
Series K14 15.50% due 10 February 2002	3,500,000	3,500,000
Series K15 16.10% due 10 March 2002	4,500,000	4,500,000
Series K16 15.12% due 8 April 2002	4,000,000	4,000,000
Series K21 13.43% due 10 November 2002	4,000,000	4,000,000
Series LA 15.75% due 31 May 1987	3,633,958	4,531,646
Series LB 13.60% due 5 October 1987	10,000,000	10,000,000
Series RHA 11.375% due 31 March 1988	12,000,000	12,000,000
Series K28 11.37% due 4 April 2003	4,000,000	4,000,000
Series K33 11.79% due 1 December 2003	3,000,000	3,000,000
Series K34 12.13% due 1 March 2004	5,000,000	5,000,000
Series K41 12.96% due 2 November 2004	<u>3,000,000</u>	<u>-</u>
	98,133,958	96,031,646
Less: Current obligations on debentures	<u>6,326,334</u>	<u>6,119,393</u>
	<u>\$91,807,624</u>	<u>\$89,912,253</u>

## HEALTH FACILITIES ASSOCIATION OF BRITISH COLUMBIA

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 1985

4. Debentures - (continued)

Sinking fund debentures series JF, JG, K3, K4, K12, K14, K15, K16, K21, K28, K33, K41 are redeemable in whole or in part before maturity at the option of the Chairman of the British Columbia Regional Hospital Districts Financing Authority upon five months written notice.

Obligations on debentures required over the next five years are as follows:

1986	\$ 6,326,334
1987	6,489,988
1988	6,679,417
1989	1,683,726
1990	1,683,726

5. Sinking Funds on Deposit

	<u>1985</u>	<u>1984</u>
Investments	\$16,837,125	\$10,345,477
Accrued Interest	<u>350,347</u>	<u>254,710</u>
	<u>\$17,187,472</u>	<u>\$10,600,187</u>

6. Commitments

Commitments outstanding as at 31 March 1985 aggregated approximately \$1,000,000 (1984 - \$7,000,000) for approved projects.

7. Comparative figures

In 1984 grants from the Province in transit at year end were reported as an amount due from the Province and the interest payable on debentures for which the grants are received was reported as an accrued liability. In 1985 these grants are reported as having been applied to reduce the interest payable on debentures with no amount being due from the Province. The effect of this change together with the change in Note 3, on the 1984 comparative figures, is that due to the Province of British Columbia is reduced to zero and accounts payable and accrued liabilities are reduced by \$356,888. This change has no effect on the 1984 deficiency of revenue over expenditures or on surplus.

## HOUSING CORPORATION OF BRITISH COLUMBIA

Coopers  
& Lybrand

chartered accountants

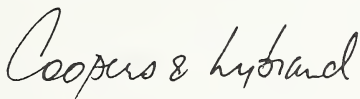
a member firm of  
Coopers & Lybrand (International)

## AUDITORS' REPORT

THE LIEUTENANT-GOVERNOR IN COUNCIL  
PROVINCE OF BRITISH COLUMBIA

We have examined the consolidated balance sheet of the Housing Corporation of British Columbia as at October 31, 1984 and the consolidated statements of earnings and retained earnings and source and use of cash for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at October 31, 1984 and the results of its operations and the source and use of its cash for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Vancouver, B.C.  
December 27, 1984,  
except note 3 which is  
as of June 25, 1985.

HOUSING CORPORATION OF BRITISH COLUMBIA  
CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1984

A S S E T S

	1984	1983
	(thousand dollars)	
CASH AND BANK TERM DEPOSITS	3,434	2,958
CASH HELD IN TRUST		36
ACCRUED INTEREST RECEIVABLE	30	43
ACCOUNT RECEIVABLE	1	
LAND HELD FOR RESALE		66
MORTGAGES RECEIVABLE (note 3)	<u>1,479</u>	<u>1,424</u>
	<u>4,944</u>	<u>4,527</u>

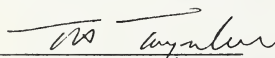
L I A B I L I T I E S

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	9	13
LIABILITY FOR FUNDS HELD IN TRUST		36
PAYABLE TO THE PROVINCE OF BRITISH COLUMBIA	130	6
DEFERRED REVENUE	<u>6</u>	<u>25</u>
	<u>145</u>	<u>80</u>

S H A R E H O L D E R ' S    E Q U I T Y

SHARE CAPITAL (note 5)	1,902	1,902
RETAINED EARNINGS	<u>2,897</u>	<u>2,545</u>
	<u>4,799</u>	<u>4,447</u>
	<u>4,944</u>	<u>4,527</u>

APPROVED BY THE DIRECTORS

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

HOUSING CORPORATION OF BRITISH COLUMBIA  
 CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS  
 FOR THE YEAR ENDED OCTOBER 31, 1984

	1984	1983
	(thousand dollars)	
REVENUE		
Interest - term deposits	281	215
- mortgages receivable	<u>160</u>	<u>212</u>
	441	427
LOSS ON TRANSFER OF LAND (note 1)	66	
EXPENSES		
Administration expenses	<u>23</u>	<u>56</u>
NET EARNINGS FOR THE YEAR	352	371
RETAINED EARNINGS - BEGINNING OF YEAR	<u>2,545</u>	<u>2,174</u>
RETAINED EARNINGS - END OF YEAR	<u><u>2,897</u></u>	<u><u>2,545</u></u>

HOUSING CORPORATION OF BRITISH COLUMBIA  
 CONSOLIDATED STATEMENT OF SOURCE AND USE OF CASH  
 FOR THE YEAR ENDED OCTOBER 31, 1984

	1984	1983
	(thousand dollars)	
<b>SOURCE OF CASH</b>		
From operations	418	371
Decrease in receivables	12	43
Decrease in mortgages receivable		230
Increase in payable to the Province of British Columbia	<u>124</u>	<u>          </u>
	<u>554</u>	<u>644</u>
<b>USE OF CASH</b>		
Increase in land held for resale		5
Increase in mortgages receivable	55	
Decrease in payable to the Province of British Columbia		72
Decrease in accounts payable and accrued liabilities	4	9
Decrease in deferred revenue	<u>19</u>	<u>63</u>
	<u>78</u>	<u>149</u>
<b>INCREASE IN CASH</b>	476	495
<b>BANK TERM DEPOSITS - BEGINNING OF YEAR</b>	<u>2,958</u>	<u>2,463</u>
<b>BANK TERM DEPOSITS - END OF YEAR</b>	<u><u>3,434</u></u>	<u><u>2,958</u></u>



HOUSING CORPORATION OF BRITISH COLUMBIA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 1984

1. WINDING-UP OF THE OPERATIONS OF THE CORPORATION

Pursuant to a directive dated September 29, 1978, issued by the Ministry of Municipal Affairs and Housing, Province of British Columbia, the operations of the Corporation are being wound up. A total of \$12 million of dividends has been declared to date, of which \$3 million was paid in the fiscal year ended October 31, 1982, \$5 million in the fiscal year ended October 31, 1981 and \$4 million in the fiscal year ended October 31, 1980.

During the year, the Corporation conveyed title of its remaining land to the Province of British Columbia for \$1.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Housing Corporation of British Columbia and the wholly-owned subsidiaries, Dunhill Development Corporation and HCBC Construction Ltd.

Consideration for Sales

Where collectibility of the outstanding balance of a mortgage is in doubt and the appraised value of the security is less than the carrying value, the carrying value is written down to the appraised value.

3. MORTGAGES RECEIVABLE

The mortgages receivable are due as follows:

	\$ (thousands)
Year ending October 31, 1985	755
October 31, 1989	724

Subsequent to the year end, the mortgagee defaulted on the mortgage due during the year ending October 31, 1985. As at June 25, 1985, the Corporation was in the process of renegotiating the repayment schedule of this mortgage.

4. INCOME TAXES

All of the issued shares of the Corporation are owned by the Province of British Columbia and therefore the Corporation is not subject to federal or provincial income taxes.

HOUSING CORPORATION OF BRITISH COLUMBIA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 1984

## 5. SHARE CAPITAL

	1984	1983
	(thousand dollars)	
Authorized -		
2,000,000 common shares of no par value		
Issued and fully paid -		
1,355,084 shares	1,902	1,902
	<u>          </u>	<u>          </u>

## 6. CONTINGENT LIABILITY

The Corporation is contingently liable for certain mortgages assumed by purchasers of housing units sold by the Corporation.

## INSURANCE CORPORATION OF BRITISH COLUMBIA

# Insurance (Motor Vehicle) Act Fund

## Statement of Operations

year ended December 31, 1984

	<u>1984</u>	<u>1983</u>
	<i>(\$ Thousands)</i>	
Revenue		
Vehicle premiums written	\$713,295	\$686,765
Driver premiums written	<u>20,994</u>	<u>23,777</u>
	<u>734,289</u>	<u>710,542</u>
Vehicle premiums earned	693,456	670,621
Driver premiums earned	<u>21,798</u>	<u>24,469</u>
	<u>715,254</u>	<u>695,090</u>
Claim costs		
Claims incurred	660,353	625,674
Claim operations expense	<u>63,130</u>	<u>63,502</u>
	<u>723,483</u>	<u>689,176</u>
Expenses		
Administrative	62,550	61,418
Commissions	<u>47,689</u>	<u>40,726</u>
	<u>110,239</u>	<u>102,144</u>
Total claims and expenses	<u>833,722</u>	<u>791,320</u>
Underwriting loss	118,468	96,230
Investment income	<u>128,330</u>	<u>101,841</u>
	9,862	5,611
Non-recurring expense	<u>—</u>	<u>1,275</u>
Income for the year	9,862	4,336
Unappropriated surplus		
— beginning of year	<u>12,544</u>	<u>8,208</u>
Unappropriated surplus		
— end of year	<u>\$ 22,406</u>	<u>\$ 12,544</u>

# Statement of General Insurance and Other Operations

year ended December 31, 1984

	<u>1984</u>	<u>1983</u>
	<i>(\$ Thousands)</i>	
Revenue		
Gross premiums written	<u>\$30,703</u>	<u>\$34,839</u>
Net premiums written	<u>27,100</u>	<u>31,107</u>
Net premiums earned	<u>28,780</u>	<u>29,280</u>
Net claim costs	<u>19,913</u>	<u>19,335</u>
Expenses		
Administrative	5,470	5,786
Commissions	6,489	6,346
Premium taxes	909	951
	<u>12,868</u>	<u>13,083</u>
Total claims and expenses	<u>32,781</u>	<u>32,418</u>
Underwriting loss	4,001	3,138
Investment income	<u>4,236</u>	<u>4,346</u>
Income from General Insurance operations	235	1,208
Loss from other operations	—	(122)
Non-recurring expense	—	(108)
Loss on sale of General Insurance operations (Note 12)	<u>(5,329)</u>	<u>—</u>
Income (loss) for the year	<u>(5,094)</u>	<u>978</u>
Unappropriated retained earnings		
— beginning of year	1,872	1,394
Appropriation from (to):		
Catastrophe reserve	6,500	(500)
Rate Stabilization reserve	<u>5,100</u>	<u>—</u>
Unappropriated retained earnings		
— end of year	<u>\$ 8,378</u>	<u>\$ 1,872</u>

# Statement of Changes in Financial Position

year ended December 31, 1984

	<u>1984</u>	<u>1983</u>
	<i>(\$ Thousands)</i>	
Resources provided:		
From Insurance (Motor Vehicle)		
Act Fund operations (Note 10)	\$ 19,558	\$ 12,143
From General Insurance and		
other operations (Note 10)	235	978
Increase in unearned premiums	3,029	17,279
Increase in unpaid claims	172,417	136,547
Decrease in finance plan		
receivables	29,803	5,929
Increase in premiums in advance	4,086	4,761
Sale of property and equipment	3,967	504
Net decrease in other assets and		
liabilities	10,376	917
	<u>243,471</u>	<u>179,058</u>
Resources applied:		
Purchase of property and		
equipment	12,472	22,750
Decrease in fees payable to		
Motor Vehicle Department	2,247	1,068
Loss on sale of General Insurance		
operations (Note 12)	5,329	—
	<u>20,048</u>	<u>23,818</u>
Increase in resources for year	223,423	155,240
Investments and net cash		
— beginning of year	<u>928,285</u>	<u>773,045</u>
Investments and net cash		
— end of year	<u>\$1,151,708</u>	<u>\$ 928,285</u>

# Balance Sheet as at December 31, 1984

	<u>1984</u>	<u>1983</u>
	<i>(\$ Thousands)</i>	
ASSETS		
Cash in hands of agents	\$ 1,496	\$ 1,175
Investments (Note 5)	1,155,808	933,973
Accounts receivable	25,155	64,181
Deferred premium acquisition expenses	17,830	19,705
Property and equipment (Note 6)	89,284	90,475

Approved by the Board:

Director: 

Director: 

\$1,289,573

\$1,109,509

	<u>1984</u>	<u>1983</u>
	<i>(\$ Thousands)</i>	
LIABILITIES		
Bank indebtedness	\$ 5,596	\$ 6,863
Accounts payable and accrued charges	23,030	23,752
Motor Vehicle Department	1,186	3,433
Premiums in advance	18,181	14,095
Unearned premiums (Note 8)	258,984	255,955
Unpaid claims (Note 9)	951,812	779,395
	<u>1,258,789</u>	<u>1,083,493</u>
Insurance (Motor Vehicle) Act Fund unappropriated surplus	22,406	12,544
	<u>1,281,195</u>	<u>1,096,037</u>
RETAINED EARNINGS		
Rate Stabilization reserve (Note 4)	—	5,100
Catastrophe reserve (Note 4)	—	6,500
Unappropriated retained earnings	8,378	1,872
	<u>8,378</u>	<u>13,472</u>
	<u>\$1,289,573</u>	<u>\$1,109,509</u>

# Notes to Financial Statements December 31, 1984

## 1. STATUS OF THE CORPORATION

The Insurance Corporation of British Columbia (the Corporation) is a Crown corporation incorporated under the Insurance Corporation Act, R.S.B.C. Chapter 201. The Corporation has the power and capacity to act as an insurer and reinsurer in all classes of insurance and to operate and administer the Insurance (Motor Vehicle) Act Fund.

The Insurance (Motor Vehicle) Act Fund is, by legislation, a separate entity for financial reporting purposes. A statement showing the results of the operation of the Fund is included with the financial statements of the Corporation. The balance of the Fund, which represents its accumulated unappropriated surplus, is reflected in the balance sheet of the Corporation. The Fund consists of the revenues and expenses attributable to the Insurance (Motor Vehicle) Act Fund operations. All assets and liabilities are held by the Corporation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Reporting

As prescribed by Section 21(4) of the Insurance Corporation Act, the financial statements of the Corporation are presented in accordance with generally accepted accounting principles.

### Investments and Investment Income

Investments are carried at amortized cost plus accrued interest. Premiums or discounts on bond purchases are amortized over the term to maturity of each bond.

Income on interest bearing securities is accrued on a daily basis. Capital gains and losses on sales of securities are recognized as they occur.

### Deferred Premium Acquisition Costs

Commissions are expensed over the terms of the insurance policies to which they relate.

### Depreciation and Amortization

Depreciation is provided on a straight-line basis commencing in the month following

that in which assets are placed in services, at rates which will depreciate the original cost over the useful life of each asset. Leasehold improvements are amortized over the term of each lease plus the first renewal period where appropriate.

### Leases

Leases are classified as capital or operating leases. A lease which transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred. The capitalized lease obligations reflect the present value of future rental payments discounted at the interest rates implicit in the leases. The corresponding amounts are capitalized and depreciated over the assets' estimated useful lives.

### Unearned Premiums

The liability for unearned premiums is the portion of premiums that relates to the unexpired term of each vehicle policy or driver's premium.

### Unpaid Claims

Unpaid claims includes a provision for reported and unpaid claims and related expenses, based on the claim settlement experience of the Corporation, current trends and a detailed review of claim files. Also included is an estimate for unreported claims.

## 3. REINSURANCE

The Corporation underwrites and reinsures policies of insurance which, in the main, limit the liability of the Corporation to the maximum amount on any one loss of \$1,000,000. In addition the Corporation has obtained reinsurance providing coverage of \$80,000,000 which limits the Corporation's liability to \$2,412,500 in the event of a series of claims arising out of a single occurrence. These reinsurance arrangements do not discharge the Corporation's obligation as primary insurer.



## 4. RESERVES

Due to the decision to sell the General Insurance operations, the funds appropriated to the Catastrophe

and Rate Stabilization reserves have been returned to the unappropriated retained earnings.

## 5. INVESTMENTS

	<i>Dec. 31, 1984</i>		<i>Dec. 31, 1983</i>	
	<i>Cost</i>	<i>Market</i>	<i>Cost</i>	<i>Market</i>
	<i>(\$ Thousands)</i>			
Short-term deposit receipts, call loans and notes	\$ 189,688	\$ 189,688	\$ 213,974	\$ 213,974
Bonds	966,120	969,440	719,999	696,560
	<u>\$1,155,808</u>	<u>\$1,159,128</u>	<u>\$ 933,973</u>	<u>\$ 910,534</u>

## 6. PROPERTY AND EQUIPMENT

	<i>Dec. 31, 1984</i>		<i>Dec. 31, 1983</i>	
	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net Book Value</i>	<i>Net Book Value</i>
	<i>(\$ Thousands)</i>			
Land	\$ 14,286	\$ —	\$ 14,286	\$ 14,010
Buildings	72,572	16,648	55,924	58,934
Furniture and equipment	20,870	9,502	11,368	12,314
Computers under capital lease	8,257	783	7,474	4,889
Leasehold improvements	747	515	232	328
	<u>\$ 116,732</u>	<u>\$ 27,448</u>	<u>\$ 89,284</u>	<u>\$ 90,475</u>

Depreciation has been charged at the following rates—buildings 5-10%; furniture and equipment 10-50%; computers under capital lease 25-40%.

Depreciation expense for the year ended December 31, 1984 amounted to \$9,696,000 (1983—\$7,807,000).

## 7. OBLIGATION UNDER CAPITAL LEASES

The following is a schedule of future minimum lease payments under capital leases.

<i>Year Ended December 31</i>	<i>(\$ Thousands)</i>
1985	\$ 2,861
1986	2,844
1987	2,164
1988	995
Total minimum lease payments	8,864
Less: Amounts representing interest	(1,847)
Present value of the minimum lease payments	<u>\$ 7,017</u>

Interest expensed in the year ended December 31, 1984 amounted to \$719,000 (1983—\$536,000).

## 8. UNEARNED PREMIUMS

	<i>Dec. 31, 1984</i>	<i>Dec. 31, 1983</i>
	<i>(\$ Thousands)</i>	
Insurance (Motor Vehicle) Act Fund	\$ 258,984	\$ 240,696
General Insurance	—	15,259
	<u>\$ 258,984</u>	<u>\$ 255,955</u>

## 9. UNPAID CLAIMS

	<i>Dec. 31, 1984</i>	<i>Dec. 31, 1983</i>
	<i>(\$ Thousands)</i>	
Insurance (Motor Vehicle) Act Fund	\$ 951,812	\$ 762,057
General Insurance	—	17,338
	<u>\$ 951,812</u>	<u>\$ 779,395</u>

## 10. CASH FLOW FROM OPERATIONS

	<i>Twelve Months Ended</i>	
	<i>Dec. 31, 1984</i>	<i>Dec. 31, 1983</i>
	<i>(\$ Thousands)</i>	
Insurance (Motor Vehicle) Act Fund		
Income for the year	\$ 9,862	\$ 4,336
Depreciation and amortization	9,696	7,807
Cash flow from operations	<u>\$ 19,558</u>	<u>\$ 12,143</u>
General Insurance and other operations		
Income from General Insurance operations	\$ 235	\$ 1,208
Other operations and non-recurring item	—	(230)
Cash flow from operations	<u>\$ 235</u>	<u>\$ 978</u>

## 11. PENSION PLAN

Certain employees participate in a contributory pension plan and are entitled to vested interests prior to retirement.

Employees contribute a specified percentage of salaries. The Corporation contributes to the plan all amounts as actuarially determined, over and above employee contributions, to fund the benefits earned by employees under the plan.

The plan is subject to an actuarial evaluation at least once in every three years. The most recent evaluation, effective December 31, 1984, determined the Plan to be actuarially sound.

Contributions by the Corporation for the year ended December 31, 1984, were \$3,429,000 (1983—\$3,292,000).

## 12. SALE OF GENERAL INSURANCE OPERATIONS

In May 1984, the government of the province of British Columbia announced its intention to find a buyer for the general insurance operations of the Corporation.

To facilitate a potential sale the Corporation incorporated and federally licensed Canadian Northern Shield Insurance Company, to which certain assets and liabilities of the General Insurance Division were transferred

in January 1985 in exchange for common and preferred shares.

On February 18, 1985, the Corporation sold the shares of Canadian Northern Shield Insurance Company for \$9,000,000. The estimated loss on the sale, including the costs to sell and General Insurance operating results after December 31, 1984, has been reported in the statement of General Insurance and Other Operations. The proceeds of the sale are included in the Corporation's investments.

The Corporation remains contingently liable under policies of insurance issued by the General Insurance Division, and under contracts of reinsurance placed with unlicensed reinsurers covering the period to December 31, 1984.

## 13. RELATED PARTY TRANSACTIONS

The Corporation is the sole provider of compulsory automobile insurance in British Columbia and, therefore, insures vehicles owned or leased by the government of the province and its controlled entities. The Corporation also acts as agent for the Motor Vehicle Branch regarding the collection of motor vehicle licence fees and the Ministry of Consumer and Corporate Affairs regarding the collection of the social services tax on privately sold used vehicles.

## Auditors' Report

The Honourable James J. Hewitt  
Minister of Consumer and  
Corporate Affairs  
Province of British Columbia

We have examined the balance sheet of the Insurance Corporation of British Columbia as at December 31, 1984, the statements of general insurance and other operations and changes in financial position of the Corporation and the statement of operations of the Insurance (Motor Vehicle) Act Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984, the results of its operations and the changes in its financial position and the results of the operations of the Insurance (Motor Vehicle) Act Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Touche Ross & Co.*

CHARTERED ACCOUNTANTS  
Vancouver, British Columbia  
February 18, 1985

**KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY**

Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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**AUDITOR'S REPORT**

To the Chairman and Members of the Board of the  
Knowledge Network of the West Communications Authority, and

To the Minister of Universities, Science and Communications  
Province of British Columbia:

I have examined the consolidated balance sheet of Knowledge Network of the West Communications Authority as at 31 March 1985 and the consolidated statements of revenue, expenditure and surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of the Authority as at 31 March 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
10 May 1985

## KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

## CONSOLIDATED BALANCE SHEET

as at 31 March 1985

ASSETS

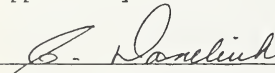
	1985	1984
Current assets		
Cash and short-term deposits	\$ 609,488	\$1,000,396
Grants receivable	-	214,598
Accounts receivable	54,528	8,813
Interest receivable	1,621	3,626
Prepaid expenses (Note 2)	10,000	99,139
	675,637	1,326,572
Investment and advances (Note 3)	1,772,416	1,963,801
Fixed assets (Note 4)	1,452,340	1,495,043
	<u>\$3,900,393</u>	<u>\$4,785,416</u>


LIABILITIES AND SURPLUS

Current liabilities		
Accounts payable and accrued liabilities	\$ 88,994	\$ 169,114
Holdbacks payable	-	7,058
Current portion of unearned user fees	8,320	-
	97,314	176,172
Unearned user fees	33,280	-
	130,594	176,172
Surplus	3,769,799	4,609,244
	<u>\$3,900,393</u>	<u>\$4,785,416</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board

 Director

 Director

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY  
CONSOLIDATED STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

For the year ended 31 March 1985

	<u>1985</u>	<u>1984</u>
Revenue		
Grants - Province of British Columbia (Note 5)	\$3,352,112	\$3,501,710
Grants - Other	-	5,000
Interest	72,709	102,426
User fees	99,163	18,287
Miscellaneous	<u>10,536</u>	<u>11,600</u>
	<u>3,534,520</u>	<u>3,639,023</u>
Expenditure		
Administration	838,197	737,767
Learning systems	200,146	175,642
Network operations	954,115	806,362
Public affairs	324,497	314,166
Research and development	4,067	8,544
Satellite	1,055,356	983,551
Open University Consortium	<u>42,130</u>	<u>-</u>
	<u>3,418,508</u>	<u>3,026,032</u>
Excess of revenue over expenditure before depreciation and amortization	116,012	612,991
Depreciation and amortization	<u>667,094</u>	<u>529,911</u>
Excess (deficiency) of revenue over expenditure in Authority	(551,082)	83,080
Share of deficit in joint venture	<u>(288,363)</u>	<u>(58,059)</u>
Excess (deficiency) of revenue over expenditure	(839,445)	25,021
Surplus, beginning of year	<u>4,609,244</u>	<u>4,584,223</u>
Surplus, end of year	<u><u>\$3,769,799</u></u>	<u><u>\$4,609,244</u></u>

KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY  
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended 31 March 1985

	<u>1985</u>	<u>1984</u>
Funds derived from:		
Excess (deficiency) of revenue over expenditure	\$ (839,445)	\$ 25,021
Charges not affecting current funds:		
Depreciation and amortization	667,094	529,911
Share of deficit in joint venture	<u>288,363</u>	<u>58,059</u>
	116,012	612,991
Proceeds from sale of fixed assets	3,500	-
Unearned user fees	<u>33,280</u>	<u>-</u>
	<u>152,792</u>	<u>612,991</u>
Funds applied to:		
Purchase of fixed assets	627,891	726,219
Investment in joint venture	95,038	218,446
Advance to Discovery Satellite Network Incorporated	224	15,785
Investment in Pacific Economic Review Institute Society	<u>1,716</u>	<u>-</u>
	<u>724,869</u>	<u>960,450</u>
Decrease in working capital	572,077	347,459
Working capital, beginning of year	<u>1,150,400</u>	<u>1,497,859</u>
Working capital, end of year	<u>\$ 578,323</u>	<u>\$1,150,400</u>

## KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 1985

1. Significant accounting policies

## a) Principles of Consolidation

The accounts of the Authority are consolidated with those of its wholly-owned subsidiary Knowledge-West Communications Corporation. All inter-company transactions have been eliminated in these consolidated financial statements.

The investment by Knowledge-West Communications Corporation in a joint venture, Knowledge-West Partnership, has been accounted for in these financial statements on an equity basis.

## b) Depreciation and amortization

The Authority records fixed assets at cost and depreciates them using the straight line method over their estimated useful life as follows:

Furniture and equipment	10% per annum
Earth stations	20% per annum
Network equipment	20% per annum
Programs	20% per annum
Tapes	20% per annum
Leasehold improvements	Term of lease
License agreements	Life of the respective agreement

2. Prepaid expenses

In March 1985 \$10,000 was paid for membership in the International University Consortium for the period April 1985 to March 1986. This payment was made for the Open University Consortium.

## KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 1985

3. Investment and advances

- a) Details of the investment in a joint venture, Knowledge-West Partnership, accounted for on an equity basis are as follows:

	<u>1985</u>	<u>1984</u>
Advances	\$2,101,117	\$2,006,079
Accumulated deficit	<u>(346,426)</u>	<u>( 58,063)</u>
	<u>1,754,691</u>	<u>1,948,016</u>
b) Advance to Discovery Satellite Network Incorporated	16,009	15,785
c) Investment in Pacific Economic Review Institute Society	<u>1,716</u>	<u>-</u>
	<u>\$1,772,416</u>	<u>\$1,963,801</u>

4. Fixed assets

	<u>Cost</u>	<u>Accumulated Depreciation &amp; Amortization</u>	<u>1985 Net Book Value</u>	<u>1984 Net Book Value</u>
Furniture and equipment	\$ 314,496	\$ 73,227	\$ 241,269	\$ 173,096
Earth stations	84,131	82,939	1,192	18,017
Leasehold improvements	208,852	157,719	51,133	90,422
Network equipment	1,432,401	853,787	578,614	741,248
Programs	96,197	44,124	52,073	8,979
Tapes	230,171	112,800	117,371	99,831
License agreements	<u>887,622</u>	<u>476,934</u>	<u>410,688</u>	<u>363,450</u>
	<u>\$ 3,253,870</u>	<u>\$1,801,530</u>	<u>\$1,452,340</u>	<u>\$1,495,043</u>



## KNOWLEDGE NETWORK OF THE WEST COMMUNICATIONS AUTHORITY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 1985

5. Grants - Province of British Columbia

Grants were provided for the following purposes:

	<u>1985</u>	<u>1984</u>
Operating	\$3,302,112	\$3,237,112
Interior programming	-	125,000
Contingency holdback	-	89,598
Non-metropolitan programs	<u>50,000</u>	<u>50,000</u>
	<u>\$3,352,112</u>	<u>\$3,501,710</u>

6. Commitments

Commitments for the purchase of new programs for the Open University Consortium amounted to \$59,672 at 31 March 1985.

7. Comparative Figures

Certain 1984 figures have been restated in order to conform with financial statement presentation adopted in 1985.

## LEGAL SERVICES SOCIETY



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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### AUDITOR'S REPORT

To the Chairman and Members of the  
Legal Services Society, and

To the Attorney-General,  
Province of British Columbia

I have examined the balance sheet of the Legal Services Society as at 31 March 1985 and the statement of income, expenditures and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Society as at 31 March 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles, as modified by note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

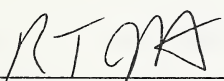
Victoria, British Columbia  
31 May 1985


LEGAL SERVICES SOCIETY  
BALANCE SHEET  
AS AT MARCH 31, 1985

ASSETS	1985	1984
Cash and term deposit	\$ 826,450	\$ 987,408
Accounts receivable	24,895	17,378
Due from the Province of British Columbia	420,000	-
Grants recoverable	3,126	10,705
Prepaid expenses	60,727	38,577
	<u>\$1,335,198</u>	<u>\$1,054,068</u>
LIABILITIES		
Accounts payable - general	\$ 146,448	\$ 180,105
- tariff	988,041	2,357,437
Professional staff benefit plan	187,515	181,250
	1,322,004	2,718,792
SURPLUS <DEFICIT>	<u>13,194</u>	<u>&lt;1,664,724&gt;</u>
	<u>\$1,335,198</u>	<u>\$1,054,068</u>

The accompanying notes are an integral part  
of these financial statements.

Approved by the Board:

  
R. Johnston  
Chairman

  
L. Doust  
Vice-Chairman

LEGAL SERVICES SOCIETY  
STATEMENT OF INCOME, EXPENDITURES AND SURPLUS  
FOR THE YEAR ENDED MARCH 31, 1985

INCOME	<u>1985</u>	<u>1984</u>
GRANTS		
Province of British Columbia	\$ 15,920,000	\$ 13,923,478
Law Foundation	<u>2,000,000</u>	<u>1,999,996</u>
	<u>17,920,000</u>	<u>15,923,474</u>
OTHER INCOME		
Interest	166,943	240,634
Legal costs recovered from clients	133,569	191,177
Publications	16,571	21,985
Miscellaneous	<u>5,255</u>	<u>5,278</u>
	<u>322,338</u>	<u>459,074</u>
	<u>18,242,338</u>	<u>16,382,548</u>
EXPENDITURES		
Area directors	62,224	32,784
Board expenses	45,808	61,237
Computer	90,081	92,787
Duty counsel	494,123	434,500
Grants and contracted services	2,034,525	2,190,366
Libraries	86,361	79,050
Miscellaneous	68,243	36,885
Office	400,261	394,171
Premises	486,737	505,458
Publications	73,793	84,543
Salaries and benefits	4,324,020	4,186,380
Tariffs	8,232,606	9,083,714
Travel	<u>165,638</u>	<u>145,867</u>
	<u>16,564,420</u>	<u>17,327,742</u>
EXCESS <DEFICIENCY> OF INCOME OVER EXPENDITURES FOR THE YEAR	1,677,918	< 945,194>
DEFICIT AT BEGINNING OF YEAR	< <u>1,664,724</u> >	< <u>719,530</u> >
SURPLUS <DEFICIT> AT END OF YEAR	\$ <u><u>13,194</u></u>	\$< <u><u>1,664,724</u></u> >

LEGAL SERVICES SOCIETY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 1985

**1. Organizational objectives**

Under the Legal Services Society Act the objects of the Society are to ensure that:

- (a) services ordinarily provided by a lawyer are afforded to individuals who would not otherwise receive them because of financial or other reasons; and
- (b) education, advice and information about law are provided for the people of British Columbia.

**2. Significant accounting policies**

These financial statements have been prepared in accordance with generally accepted accounting principles except that:

- (a) property and equipment are recorded as operating expenditures at the time of acquisition,
- (b) no accrual for employee vacation pay is provided, and
- (c) no provision is made for legal work which has not been completed and billed.

**3. Commitments**

- (a) The Society has commitments under long-term operating leases for the following:

	<u>OFFICE PREMISES</u>	<u>COMPUTER EQUIPMENT</u>	<u>TOTAL</u>
1986	\$ 249,903	\$ 58,052	\$ 307,955
1987	176,635	59,029	235,664
1988	65,304	55,302	120,606
1989	48,390	20,606	68,996
1990	9,481	-	9,481
	<u>\$ 549,713</u>	<u>\$ 192,989</u>	<u>\$ 742,702</u>

- (b) The Society estimates that the total cost of authorized legal work which has not been completed and billed as at March 31, 1985 will amount to \$3.7 million (1984 - \$2.5 million)

**4. Comparative figures**

Certain of the 1984 figures have been restated to conform with the financial statement presentation adopted in 1985. These restatements have no effect on the surplus.

## MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

---

### AUDITOR'S REPORT

To the Chairman of the  
Medical Services Commission of British Columbia, and

To the Minister of Health  
Province of British Columbia:

I have examined the statement of financial position of the Medical Services Commission of British Columbia as at 31 March 1985 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at 31 March 1985 and the results of its operations for the year then ended in accordance with the accounting policies described in note 1, applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
14 June 1985

## MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

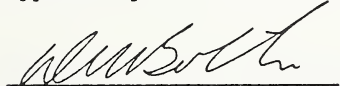
## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
<u>ASSETS</u>		
Cash	\$ 5,107,056	\$ 5,774,087
Accounts receivable	1,827,826	1,666,579
Due from the Province of British Columbia	<u>146,207,826</u>	<u>132,415,598</u>
	<u>\$ 153,142,708</u>	<u>\$ 139,856,264</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 3,407,187	\$ 2,520,198
Premiums received in advance	47,436,787	39,070,166
Estimated liability for unpresented and unprocessed benefit claims	<u>102,298,734</u>	<u>98,265,900</u>
	<u>\$ 153,142,708</u>	<u>\$ 139,856,264</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Commission:



Dr. D.M. Bolton, Chairman

## MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
REVENUE		
Subscribers' premiums	\$ 328,813,607	\$ 315,250,682
Premium assistance - Province of British Columbia	<u>79,267,934</u>	<u>67,647,063</u>
	<u>408,081,541</u>	<u>382,897,745</u>
EXPENDITURE		
Benefits		
Medical care	812,931,834	793,763,950
Supplementary benefits	<u>53,057,847</u>	<u>48,927,947</u>
	<u>865,989,681</u>	<u>842,691,897</u>
Administration		
Data processing	9,516,971	7,818,719
General office	2,862,151	2,067,606
Salaries	<u>12,998,993</u>	<u>10,747,493</u>
	<u>25,378,115</u>	<u>20,633,818</u>
	<u>891,367,796</u>	<u>863,325,715</u>
EXCESS OF OPERATING EXPENDITURE OVER REVENUE	(483,286,255)	(480,427,970)
CONTRIBUTIONS FROM THE PROVINCE OF BRITISH COLUMBIA	<u>483,286,255</u>	<u>480,427,970</u>
	-	-
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	-	(120,126,050)
ADDITIONAL CONTRIBUTION FROM THE PROVINCE OF BRITISH COLUMBIA (note 3)	<u>-</u>	<u>120,126,050</u>
	<u>\$ -</u>	<u>\$ -</u>



MEDICAL SERVICES COMMISSION OF BRITISH COLUMBIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1985

1. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles except that:

- (i) Premiums from individual subscribers are included as revenue only when cash is received and the revenue is earned. Premiums from other sources are recognized as revenue on an accrual basis.
- (ii) The cost of furniture and equipment is charged to administration expenses in the year of acquisition.
- (iii) Employees' holiday pay is not accrued.

2. Relationship with the Province of British Columbia

The Commission was appointed by the Province of British Columbia and is responsible for the administration of the Medical Service Act.

The Province absorbs certain costs that normally would be charged to the Commission; for example, occupancy costs.

3. Additional Contribution from the Province of British Columbia

In 1984 the Province of British Columbia made an additional contribution of \$120,126,050 to absorb the Commission's working capital deficiency at the beginning of that fiscal year.

**METRO TRANSIT OPERATING COMPANY**

*Touche Ross & Co.*

Chartered Accountants

AUDITORS' REPORT

The Directors,  
Metro Transit Operating Company.

We have examined the balance sheet of Metro Transit Operating Company as at March 31, 1985 and the statement of expenditures and recovery for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at March 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Touche Ross & Co.*

Vancouver, B.C.,  
May 15, 1985.

Chartered Accountants

*Touche Ross & Co.*

## METRO TRANSIT OPERATING COMPANY

(Created under the Metro Transit Operating Company Act of British Columbia)

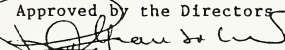
## BALANCE SHEET AS AT MARCH 31, 1985

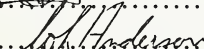
	<u>1985</u>	<u>1984</u>
	\$'000	\$'000
<u>ASSETS</u>		
Current		
Accounts receivable	\$ 479	\$ 156
Recovery from British Columbia Transit		
Operating expenditures	14,251	9,162
Other	184	856
Inventories	7,733	7,776
Prepaid expenses and deposits	<u>1,967</u>	<u>2,378</u>
	<u>\$24,614</u>	<u>\$20,328</u>

	<u>LIABILITIES</u>		
Current			
Excess of cheques written over cash on deposit	\$ 769	\$ 370	
Accounts payable and accrued liabilities	<u>18,438</u>	<u>14,575</u>	
	19,207	14,945	

	<u>EQUITY</u>		
Contributed surplus (Note 4)	<u>5,407</u>	<u>5,383</u>	
	<u>\$24,614</u>	<u>\$20,328</u>	

Approved by the Directors

 .....Director

 .....Director

See accompanying notes to financial statements.

STATEMENT OF EXPENDITURES AND RECOVERY  
FOR THE YEAR ENDED MARCH 31, 1985

	Greater Vancouver		Capital Region		Total Company	
	1985	1984	1985	1984	1985	1984
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenditures						
Operations						
Wages, salaries and benefits	\$ 60,764	\$ 71,812	\$ 7,969	\$ 9,804	\$ 68,733	\$ 81,616
Fuel and other petroleum products	7,499	9,707	1,213	1,641	8,712	11,348
Trolley electricity	1,412	1,689	-	-	1,412	1,689
Materials, services and other	2,886	3,368	261	269	3,147	3,637
Maintenance						
Wages, salaries and benefits	72,561	86,576	9,443	11,714	82,004	98,290
Materials, services and other	15,241	17,074	1,685	2,017	16,926	19,091
Administration						
Wages, salaries and benefits	7,998	7,836	843	782	8,841	8,618
Materials, services and other	23,239	24,910	2,528	2,799	25,767	27,709
Wages, salaries and benefits	6,688	7,238	878	963	7,566	8,201
Materials, services and other	4,596	3,347	1,051	928	5,647	4,275
Wages, salaries and benefits	11,284	10,585	1,929	1,891	13,213	12,476
Total expenditures for the year	\$107,084	\$122,071	\$ 13,900	\$ 16,404	120,984	138,475
Recovery from British Columbia Transit						
Received					106,733	129,313
Receivable					14,251	9,162
Net expenditures for the year					120,984	138,475
					\$ -	\$ -

See accompanying notes to financial statements.

*Touche Ross & Co.*

## METRO TRANSIT OPERATING COMPANY

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1985

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## 1. Status of the Company

The Metro Transit Operating Company was created by the Province of British Columbia on July 31, 1979 under the Metro Transit Operating Company Act. The Act was brought into force by Proclamation on January 18, 1980.

Subsequent to the year end Bill 38 was introduced into the Legislative Assembly of British Columbia. This Bill calls for the British Columbia Transit to assume all property and rights, debts and obligations and transfer of employees of Metro Transit Operating Company.

## 2. Operating mandate

The Company's mandate is to manage, operate and maintain public passenger transportation systems in designated areas within the Province, in accordance with annual operating agreements. Under this mandate, the Company took over operations of the public passenger transportation systems from the British Columbia Hydro and Power Authority (B.C. Hydro) in the metropolitan areas of Vancouver and Victoria on April 1, 1980. Effective the same date, the Company entered into major annual operating agreements, governing the provision of transit services in these areas with the Urban Transit Authority of British Columbia, the Greater Vancouver Regional District and the Capital Regional District. The Urban Transit Authority of British Columbia was renamed British Columbia Transit (B.C. Transit) on September 1, 1982. The initial agreements, which expired on March 31, 1981, have been renewed to March 31, 1986.

Pursuant to the provisions of its annual operating agreements, the Company is provided with the use of all major fixed assets, such as passenger carrying vehicles, land and buildings and tools and equipment, by B.C. Transit subject to lease fees chargeable by B.C. Transit to the Regional Districts. In addition, the Company acquired from B.C. Hydro, for a nominal amount, certain assets, such as parts inventory, shop equipment, office furniture and equipment, service cars and trucks and computer software. At the time of acquisition, the parts inventories were valued at their average cost to B.C. Hydro and reflected accordingly as contributed surplus (Note 4).

The annual operating agreements also require that the Company collect all operating revenues and remit them directly to B.C. Transit and that the Company's gross operating expenditures are reimbursed by B.C. Transit with the deficit funding shared with the Regional Districts in accordance with their respective operating agreements.

*Touche Ross & Co.*

Metro Transit Operating Company  
Notes to Financial Statements  
March 31, 1985

Page 2

## 3. Summary of significant accounting policies

## a. Generally accepted accounting policies

The Company's accounts are prepared in accordance with generally accepted accounting principles including the use of the accrual method of accounting for operating expenditures.

## b. Inventories

All inventories are valued at the lower of cost and replacement value. Cost is determined using the average cost method.

## c. Property and equipment

As explained in Note 2, B.C. Transit finances and owns all major assets utilized by the Company with recovery chargeable to the Regional Districts. Purchases of individual items in excess of the amounts shown below are accounted for as capital expenditures by B.C. Transit and purchases less than these amounts are expensed by the Company in the year of acquisition.

Tools and shop equipment	\$10,000
Passenger facilities	\$ 5,000
Furniture and office equipment	\$ 3,000

## d. Pension plans

The Company and its employees are subject to the Public Service Superannuation Act and current and past service costs are accrued and funded on a current basis. In addition, the Company in accordance with the Metro Transit Operating Company Act, accrues and funds on a current basis the increased costs resulting from pension indexing for retired B.C. Hydro public transportation employees.

## 4. Contributed surplus

Parts inventories contributed to the Company by:

	<u>1985</u>	<u>1984</u>
	\$'000	\$'000
B.C. Hydro (Note 2)	\$ 3,296	\$ 3,283
B.C. Transit	<u>2,111</u>	<u>2,100</u>
	<u>\$ 5,407</u>	<u>\$ 5,383</u>

*Touche Ross & Co.*

Metro Transit Operating Company  
Notes to Financial Statements  
March 31, 1985

Page 3

## 5. Other information

## a. Pension plans

Pensions costs for the current year amounted to \$6,295,000 (1984 - \$7,364,000) and, in addition, pension costs with respect to retired B.C. Hydro employees amounted to \$1,049,000 (1984 - \$1,004,000).

## b. Wage settlement

During the year the Company entered into a new labour agreement with the Independent Canadian Transit Union for the period April 1, 1983 to March 31, 1987. The terms of the new agreement required wage and benefit increases for the year ended March 31, 1984 in the amount of \$2,690,000 which has been charged to current year's operations.

## c. Comparative figures

The 1984 comparative figures have been reclassified where necessary to conform with the current year's presentation.

OCEAN FALLS CORPORATION

**THORNE  
RIDDELL**

Chartered Accountants



AUDITORS' REPORT

The Lieutenant-Governor in Council

Province of British Columbia

We have examined the balance sheet of Ocean Falls Corporation as at December 31, 1984 and the statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with the basis of accounting as described in note 1 applied consistently with that of the preceding year.

Vancouver, Canada  
April 30, 1985

*Thorne Ridzell*  
Chartered Accountants



OCEAN FALLS CORPORATION  
(Incorporated by Act of the Legislature of British Columbia)

BALANCE SHEET AS AT DECEMBER 31, 1984

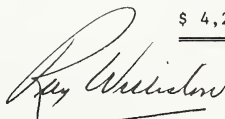
ASSETS	<u>1984</u>	<u>1983</u>
<b>CURRENT ASSETS</b>		
Cash and term deposits	\$ 493,100	\$ 33,121
Accounts receivable	26,238	15,350
Inventory	524,686	512,673
Prepaid expenses	5,848	14,532
Current portion of mortgages receivable	4,751	5,345
Income taxes recoverable	198,517	-
	<u>1,253,140</u>	<u>581,021</u>
<b>FIXED ASSETS (note 3)</b>	1,886,780	1,940,124
<b>MORTGAGES RECEIVABLE, less current portion</b>	93,513	124,741
<b>LAND AND HOUSES HELD FOR RESALE</b>	<u>1,038,273</u>	<u>1,028,515</u>
	<u>\$ 4,271,706</u>	<u>\$ 3,674,401</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (note 4)	\$ 125,000	\$36,273,520
Demand loans (note 5)	2,250,000	1,750,000
Accounts payable and accrued liabilities	262,735	186,710
Interest on loans from Province of British Columbia and British Columbia Cellulose Company	6,579,036	5,189,129
Accrued liabilities for costs of terminating operations	249,577	326,145
Current portion of mortgages payable	7,378	10,848
	<u>9,473,726</u>	<u>43,736,352</u>
<b>LONG-TERM DEBT (note 6)</b>	<u>13,051,989</u>	<u>13,059,367</u>
<b>Total liabilities</b>	<u>22,525,715</u>	<u>56,795,719</u>

CONTRIBUTED SURPLUS AND DEFICIT

<b>CONTRIBUTED SURPLUS (note 7)</b>	37,018,472	789,952
<b>DEFICIT</b>	<u>55,272,481</u> <u>(18,254,009)</u>	<u>53,911,270</u> <u>(53,121,318)</u>
	<u>\$ 4,271,706</u>	<u>\$ 3,674,401</u>

Approved by the Board

Director



Director



OCEAN FALLS CORPORATION  
 STATEMENT OF INCOME AND DEFICIT  
 YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
Expenses		
General and administrative	\$ 623,631	\$ 636,347
Interest on long-term debt	1,391,244	1,271,876
Other interest	8,060	13,951
	<u>2,022,935</u>	<u>1,922,174</u>
Recovery from settlement of claim	<u>-</u>	<u>198,522</u>
Loss before extraordinary item	2,022,935	1,723,652
Extraordinary item (note 8)	<u>661,724</u>	<u>-</u>
LOSS FOR THE YEAR	1,361,211	1,723,652
Deficit at beginning of year	<u>53,911,270</u>	<u>52,187,618</u>
DEFICIT AT END OF YEAR	<u><u>\$55,272,481</u></u>	<u><u>\$53,911,270</u></u>

OCEAN FALLS CORPORATION  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
SOURCES OF CASH		
Cash used for continuing operations	\$(2,029,592)	\$ (1,720,270)
Cash generated from (used for) operating working capital		
Accounts receivable	(10,888)	41,314
Inventory	(12,013)	3,743
Prepaid expenses	8,684	311
Income taxes recoverable	(198,517)	-
Demand loans	500,000	600,000
Accounts payable and accrued liabilities	76,025	(56,359)
Interest on loans from Province of British Columbia and British Columbia Cellulose Company	1,389,907	1,269,879
Accrued liabilities for costs of terminating operations	<u>(76,568)</u>	<u>(33,596)</u>
Net cash generated from (used for) operations	(352,962)	105,022
Other sources of cash		
Proceeds from sale of fixed assets	60,001	1
Decrease in mortgages receivable	31,822	32,857
Grant from the Province of British Columbia	36,228,520	-
Extraordinary item - lump sum payment from pension plan	<u>661,724</u>	<u>-</u>
Cash available for operating and financing activities	<u>36,629,105</u>	<u>137,880</u>
USES OF CASH		
Cash committed to financing activities		
Purchase of		
Fixed assets	-	1
Land and houses held for resale	9,758	29,273
Decrease in long-term debt	<u>10,848</u>	<u>10,189</u>
Cash used for operating and financing activities	<u>20,606</u>	<u>39,463</u>
INCREASE IN FUNDS POSITION	36,608,499	98,417
FUNDS DEFICIENCY AT BEGINNING OF YEAR	<u>36,240,399</u>	<u>36,338,816</u>
FUNDS (DEFICIENCY) AT END OF YEAR	<u>\$ 368,100</u>	<u>\$(36,240,399)</u>

(Funds are defined to include cash and term deposits  
less bank indebtedness)

## OCEAN FALLS CORPORATION

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1984

## 1. ACCOUNTING POLICY

In 1980, the Government of the Province of British Columbia shut down the Corporation's mill operations. Accordingly, these financial statements have been prepared on an estimated realizable basis. This basis of presentation reflects assets at estimated realizable values and provides for estimated costs of terminating operations, however further adjustment may be necessary upon the realization of assets and settlement of liabilities.

## 2. FUTURE OPERATIONS

In 1983, the "Ocean Falls Corporation Repeal Act" was passed by the British Columbia Legislature. The purpose of this Act is to dissolve the Ocean Falls Corporation and to transfer its property and liabilities to the Crown. A date for this dissolution has not yet been set.

## 3. FIXED ASSETS

The fixed assets have been written down to their estimated net realizable value which at December 31, 1984 is \$1,886,780.

## 4. BANK INDEBTEDNESS

Bank indebtedness bears interest at prime, is due on demand and has no specific security.

## 5. DEMAND LOANS

The demand loans from British Columbia Cellulose Company bear interest at prime plus 1/2% and are partly secured by a debenture having a fixed charge on the real property of the corporation and a floating charge on all other assets of the corporation, subordinate in priority to long-term debt charges.

## 6. LONG-TERM DEBT

	<u>1984</u>	<u>1983</u>
Province of British Columbia		
Interest at chartered bank prime rate compounded quarterly with no fixed terms of repayment	\$ 5,044,453	\$ 5,044,453
Interest at 8-1/4% compounded semi-annually with no fixed terms of repayment	2,000,000	2,000,000
Interest at 9-1/10% compounded semi-annually and maturing September 1, 1985	2,000,000	2,000,000
Interest at 9-1/4% compounded semi-annually and maturing November 1, 1985	<u>2,000,000</u>	<u>2,000,000</u>
Carried forward	11,044,453	11,044,453

- 2 -

## 6. LONG-TERM DEBT (continued)

	<u>1984</u>	<u>1983</u>
Brought forward	\$11,044,453	\$11,044,453
British Columbia Cellulose Company		
No interest payable since December 31, 1979 and maturing June 30, 1985	2,000,000	2,000,000
Mortgages payable	<u>14,914</u>	<u>25,762</u>
	13,059,367	13,070,215
Less current portion	<u>7,378</u>	<u>10,848</u>
	<u>\$13,051,989</u>	<u>\$13,059,367</u>

The loan from the Province of British Columbia in the amount of \$5,044,453 is secured by a debenture having a first fixed charge on the real property of the corporation and a floating charge on all other assets of the corporation. Other loans from the Province of British Columbia are unsecured. No arrangements have been made to repay these amounts within the next fiscal year.

## 7. CONTRIBUTED SURPLUS

During the year the government of the Province of British Columbia unconditionally granted \$36,228,520 to the corporation to reduce its bank indebtedness. This amount has been credited to contributed surplus.

## 8. EXTRAORDINARY ITEM

During the year the company collapsed the salaried employees pension plan. All employees were paid their vested amounts and the remaining surplus of \$661,724 was refunded to the company.

## 9. COMPARATIVE FIGURES

Certain 1983 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1984.

**PACIFIC COACH LINES LIMITED**



Suite 620  
880 Douglas Street  
Victoria, British Columbia V8W 2B7  
(604) 383-4191

July 12, 1985

**AUDITORS' REPORT**

To the Shareholder of  
Pacific Coach Lines Limited:

We have examined the balance sheet of Pacific Coach Lines Limited as at March 31, 1985 and the statements of operations and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at March 31, 1985 and the results of its operations, the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script that reads "Price Waterhouse".

Chartered Accountants

## PACIFIC COACH LINES LIMITED

## BALANCE SHEET

## ASSETS

	1985	March 31	1984
Current assets:			
Cash	\$ 495,967	\$ 8,115,023	
Funds held in Trust	-	3,466,457	
Term deposit receipts	-	-	
Accounts receivable	123,230	315,697	
Pension overpayment recoverable	33,376	-	
Operating contract adjustment due from the Province of British Columbia (Note 1)	-	573,900	
Materials and supplies, at net realizable value	-	73,256	
Prepaid expenses	-	22,767	
	652,573	12,567,100	
Account receivable due after one year	34,000	-	
Fixed assets (Note 2):			
Property and equipment	1,025,118	2,728,837	
Less: Accumulated depreciation	66,497	855,984	
	958,621	1,872,853	

APPROVED BY THE BOARD:

 Director

 Director

## LIABILITIES

	1985	March 31	1984
Current liabilities:			
Accounts payable and accrued liabilities	\$ 100,374	\$ 2,627,534	
Severance pay liability (Note 1)	110,040	5,499,613	
Pension liability	-	5,536,163	
Operating contract adjustment due to the Province of British Columbia	734,209	-	
	944,623	13,663,310	
SHAREHOLDER'S EQUITY			
Share capital:			
Authorized-			
10,000 common shares of \$1 par value	2	2	
Issued-			
2 common shares	-	283,253	
Excess of appraised value of assets over depreciated cost or nominal value, April 1, 1979 (Notes 2 and 3)	2,491,366	2,491,366	
Contributed surplus	(1,790,797)	(1,997,978)	
Deficit (Note 1)	700,571	776,643	
	\$ 1,645,194	\$ 14,439,953	

## PACIFIC COACH LINES LIMITED

STATEMENT OF OPERATIONS AND DEFICIT  
FOR THE YEAR ENDED MARCH 31, 1985

Revenue:	
Interest on short term deposits	\$ 432,633
Rental and sundry revenue	<u>115,394</u>
	548,027
Expenses:	
Interest	337,300
Wages and benefits	220,560
Professional fees	71,911
Other operating expenses	56,912
Depreciation	11,574
Bank charges	<u>4,846</u>
	703,103
Loss before extraordinary items	155,076
Extraordinary income (expense) relating to privatization (Note 4):	
Gain on sale of fixed assets	367,863
Other	<u>(288,859)</u>
	79,004
Loss for the year	76,072
Deficit, beginning of year:	
As previously reported	1,561,982
Restatement of prior year's financial statements (Note 1)	<u>435,996</u>
As restated	1,997,978
	<u>2,074,050</u>
Transfer excess of appraised value of assets over depreciated cost or nominal value, April 1, 1979, of amounts realized through sale (Note 3)	<u>283,253</u>
Deficit, end of year	<u><u>\$ 1,790,797</u></u>



PACIFIC COACH LINES LIMITED  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED MARCH 31, 1985

Financial resources were provided by:	
Extraordinary items (as affecting working capital)	\$ 981,662
Financial resources were used for:	
Operations-	
Loss before extraordinary items	155,076
Charge not affecting working capital:	
Depreciation	<u>11,574</u>
	143,502
Account receivable due after one year	<u>34,000</u>
	<u>177,502</u>
Increase in working capital	804,160
Working capital deficiency, beginning of year	<u>1,096,210</u>
Working capital deficiency, end of year	<u><u>\$ 292,050</u></u>

PACIFIC COACH LINES LIMITED  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1985

1. Restatement of prior year's financial statements:

Financial statements for the year ended March 31, 1984 have been restated to give effect to the correction of an error in recording the severance pay liability related to the discontinuance of the company's operations and the termination of employees at that date. This adjustment results in an increase in deficit and severance pay liability of \$435,996 as at March 31, 1984 compared to figures previously reported.

These financial statements have also been restated to give effect to the correction of an understatement of operating expenses and operating contract revenue by \$436,465. This adjustment has no effect on net income for the year ended March 31, 1984, but increases the operating contract adjustment due from the Province of British Columbia by \$436,465.

2. Fixed assets:

	<u>1985</u>	<u>March 31</u> <u>1984</u>
Cost or appraised value:		
Land	\$ 697,857	\$ 792,857
Revenue equipment	-	1,200,609
Buildings	327,261	428,750
Furniture and equipment	-	297,621
Service equipment	-	9,000
	<u>1,025,118</u>	<u>2,728,837</u>
Less: Accumulated depreciation	<u>66,497</u>	<u>855,984</u>
	<u>\$ 958,621</u>	<u>\$1,872,853</u>

Revenue and service equipment acquired from British Columbia Hydro & Power Authority at nominal consideration on April 1, 1979 together with similar equipment owned at that date were appraised by Levett Inter-City Coach Sales Ltd. and prior to their sale were reflected in the financial statements at their fair market value as at April 1, 1979.

Notes  
Page 2

2. Fixed assets (continued):

The excess of appraised value of assets over depreciated cost or nominal value was included as a separate account under shareholder's equity (Note 3) and has been transferred to the deficit on the basis of realization of appreciation through depreciation provisions and sales.

The costs of major replacements, additions and improvements are capitalized in the fixed asset accounts. The costs of maintenance, repairs, and minor renewals or replacements are charged against income. On retirement or disposal of fixed assets, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of operations.

The fixed assets are depreciated on the straight-line method based on useful lives.

3. Excess of appraised value of assets over depreciated cost or nominal value, April 1, 1979:

	March 31	
	1985	1984
(a) Revenue and service equipment owned by the company at March 31, 1979	\$ 760,910	\$ 760,910
(b) Revenue and service equipment acquired from British Columbia Hydro & Power Authority on April 1, 1979	3,583,000	3,583,000
(c) Parts inventory acquired from British Columbia Hydro & Power Authority on April 1, 1979	322,928	322,928
	4,666,838	4,666,838
Less: Amount realized through depreciation provisions, use or sale and transferred to the deficit	4,666,838	4,383,585
Balance, end of year	\$ -	\$ 283,253

## 4. Cessation of operations:

In the July 7, 1983 Provincial Budget the Honourable Hugh Curtis, Minister of Finance, announced that the government intended to give the private sector the opportunity to take over functions and activities not appropriate to government. Effective with the close of business March 31, 1984 all operations of the company were discontinued and the personnel terminated.

The assets relating to three of the four major route sectors were sold March 31, 1984 to three independent operators. All remaining assets including those applicable to the fourth route sector with the exception of certain real estate holdings were sold during the year ended March 31, 1985.

All income and expenses relating to the discontinuance of operations and the sale of assets have been included as extraordinary items in the statement of operations and deficit.

## 5. Income taxes:

Since the Province of British Columbia is the sole shareholder, the company is exempt from income taxes.

**PACIFIC VOCATIONAL INSTITUTE****PACIFIC VOCATIONAL INSTITUTE  
FINANCIAL STATEMENTS AND OTHER INFORMATION****MARCH 31, 1985****INDEX**

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**AUDITOR'S REPORT****FINANCIAL STATEMENTS -****BALANCE SHEET** **EXHIBIT A****STATEMENT OF REVENUE AND EXPENDITURE** **EXHIBIT B****STATEMENT OF CHANGES IN FUND BALANCES** **EXHIBIT C****STATEMENT OF ANCILLARY ENTERPRISE OPERATIONS** **EXHIBIT D****NOTES TO FINANCIAL STATEMENTS****OTHER FINANCIAL INFORMATION****SCHEDULE OF PROVINCE OF  
BRITISH COLUMBIA GRANTS** **SCHEDULE 1****SCHEDULE OF OPERATING FUNDS -  
GENERAL PURPOSES EXPENDITURE** **SCHEDULE 2****SCHEDULE OF RESTRICTED FUNDS ACTIVITIES** **SCHEDULE 3**



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of  
the Pacific Vocational Institute, and

To the Minister of Education  
Province of British Columbia:

I have examined the balance sheet of the Pacific Vocational Institute as at 31 March 1985 and the statements of revenue and expenditure, changes in fund balances and ancillary enterprise operations for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Institute as at 31 March 1985 and the results of its operations and the changes in its fund balances for the year then ended in accordance with accounting principles described in note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
7 June 1985

PACIFIC VOCATIONAL INSTITUTE  
BALANCE SHEET  
AS AT MARCH 31, 1985

EXHIBIT A

## ASSETS

## LIABILITIES AND FUND BALANCES

## OPERATING FUNDS

	1985	1984
Cash	\$ 24,528	\$ 549,970
Short term Investments	-	324,222
Accounts receivable - Province of British Columbia	1,264,756	143,817
- Other	155,507	160,164
Inventories	180,357	203,320
Prepaid expenses	45,842	33,403
Advance to Debt Service Fund	8,136	-
	<u>\$ 1,679,126</u>	<u>\$ 1,414,896</u>

## RESTRICTED FUNDS

Cash	12,666	9,573
Short term Investments	209,697	157,134
Accounts receivable	5,382	5,353
Advance to Operating Funds	23,559	18,079
	<u>\$ 251,304</u>	<u>\$ 190,139</u>

## DEBT SERVICE FUND

Accounts receivable - Province of British Columbia	13,525	33,698
Advance to Operating Funds	-	6,629
	<u>\$ 13,525</u>	<u>\$ 40,287</u>

## CAPITAL FUND

Short term Investments	-	666,788
Accounts receivable - Province of British Columbia	-	829,598
- Other	-	23,291
Land, buildings and equipment (Note 2)	27,325,498	26,490,260
Advance to Operating Funds	278,365	-
	<u>\$ 27,603,863</u>	<u>\$ 28,011,897</u>

## OPERATING FUNDS

	1985	1984
Accounts payable and accrued liabilities	\$ 1,125,154	\$ 1,450,292
Deferred revenue	153,911	144,194
Advance from Restricted Funds	23,559	18,079
Advance from Debt Service Fund	-	6,629
Advance from Capital Fund	278,365	-
General Purposes Fund (Exhibit C)	7,292	(290,497)
Specific Purposes Fund (Exhibit C)	90,843	86,199
	<u>\$ 1,679,126</u>	<u>\$ 1,414,896</u>

## RESTRICTED FUNDS

Restricted Funds (Exhibit C)	251,304	190,139
	<u>\$ 251,304</u>	<u>\$ 190,139</u>

## DEBT SERVICE FUND

Loan interest payable	1,319	4,070
Advance from Operating Funds	8,136	-
Debt Service Fund (Exhibit C)	4,070	36,217
	<u>\$ 13,525</u>	<u>\$ 40,287</u>

## CAPITAL FUND

Accounts payable	51,013	509,231
Short term borrowings (Note 3)	1,116,852	3,241,612
Long term debt (Note 4)	12,999,328	11,887,068
Investment in land, buildings and equipment	13,178,252	11,751,644
Capital Fund (Exhibit C)	258,418	622,342
	<u>\$ 27,603,863</u>	<u>\$ 28,011,897</u>

Approved by the Board of Governors



M. Wickson  
Chairman of the Board

The accompanying notes are an integral part  
of these financial statements.



L. T. McKeely  
Vice President  
Finance and Administration (Bursar)

## EXHIBIT B

PACIFIC VOCATIONAL INSTITUTE  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED MARCH 31, 1985

	Operating Funds			Restricted Funds	Debt Service Fund	Capital Fund	Total of All Funds	1984
	General Purposes	Specific Purposes	Total					
<b>REVENUE</b>								
Province of British Columbia grants	\$ 19,514,721	\$ 245,750	\$ 19,760,471	\$ -	-	\$ 114,600	\$ 22,490,535	\$ 27,754,441
Authorized capital funding	-	-	-	-	-	281,869	1,462,932	1,462,932
Tuition fees	1,806,000	40	1,806,040	-	-	-	1,806,040	1,296,972
Investment income	36,350	-	36,350	19,274	-	17,007	72,631	259,988
Interest on sinking fund	-	-	-	-	87,607	-	87,607	43,948
Gifts and donations	-	-	-	-	-	-	-	42,710
Perking fees	-	-	-	34,565	-	-	34,565	42,710
Miscellaneous	951,382	-	951,382	42,222	-	-	1,010,220	38,671
	<u>\$ 22,308,453</u>	<u>\$ 245,790</u>	<u>\$ 22,554,243</u>	<u>\$ 1,000</u>	<u>-</u>	<u>\$ 57,838</u>	<u>\$ 25,823,389</u>	<u>\$ 31,540,295</u>
<b>EXPENDITURE</b>								
Vocational	15,150,175	20,200	15,170,375	-	-	-	15,170,375	15,982,174
Administrative and general	2,642,427	-	2,642,427	-	-	-	2,642,427	2,580,443
Debt servicing	-	-	-	-	2,735,118	-	2,735,118	2,582,407
Training resources	617,759	105,880	721,639	-	-	-	721,639	1,471,591
Facilities services	2,682,910	-	2,682,910	-	-	-	2,682,910	2,849,608
Media services	488,323	-	488,323	-	-	-	488,323	439,354
Student services	805,773	-	805,773	-	-	-	805,773	808,377
Student awards	-	1,534	1,534	31,324	-	-	32,858	25,650
Equipment	-	-	-	-	-	119,877	119,877	898,192
Capital projects	-	-	-	-	-	695,179	695,179	4,833,787
Renovations on establishment	-	-	-	-	-	20,182	20,182	137,525
Skills growth development	-	92,000	92,000	-	-	-	92,000	275,559
Miscellaneous	-	-	-	4,572	-	-	4,572	615
Work study program	-	23,530	23,530	-	-	-	23,530	41,789
	<u>\$ 22,387,367</u>	<u>\$ 241,144</u>	<u>\$ 22,628,511</u>	<u>\$ 35,896</u>	<u>\$ 2,735,118</u>	<u>\$ 835,238</u>	<u>\$ 26,234,165</u>	<u>\$ 32,927,251</u>
Excess (deficiency) of revenue over expenditure (Exhibit C)	<u>\$ 22,450,754</u>	<u>\$ 241,144</u>	<u>\$ 22,691,898</u>	<u>\$ 35,896</u>	<u>\$ 2,735,118</u>	<u>\$ 835,238</u>	<u>\$ 26,296,190</u>	<u>\$ 33,002,609</u>
Excess (deficiency) of revenue over expenditure (Exhibit D)	<u>\$ 142,301</u>	<u>\$ 4,646</u>	<u>\$ 137,655</u>	<u>\$ 61,165</u>	<u>\$ 132,147</u>	<u>\$ 1363,924</u>	<u>\$ 1472,511</u>	<u>\$ 1,462,314</u>



PACIFIC VOCATIONAL INSTITUTE  
STATEMENT OF CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 1985

EXHIBIT C

	Operating Funds		Restricted Funds	Debt Service Fund	Capital Fund	Total of All Funds	1984
	General Purposes	Specific Purposes					
Balance, beginning of year	\$ (290,497)	\$ 86,199	\$ (204,298)	\$ 36,217	\$ 622,342	\$ 644,400	\$ 2,440,925
Province of British Columbia - supplementary grant	1,180,000	-	1,180,000	-	-	1,180,000	-
Staff termination costs	(739,910)	-	(739,910)	-	-	(739,910)	(334,211)
Excess (deficiency) of revenue over expenditure (Exhibit B)	(142,301)	4,646	(137,655)	(32,147)	(363,924)	(472,561)	(1,462,314)
Balance, end of year (Exhibit A)	\$ 7,292	\$ 90,845	\$ 98,137	\$ 4,070	\$ 296,418	\$ 611,929	\$ 644,400



PACIFIC VOCATIONAL INSTITUTE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

a) General

These financial statements have been prepared in accordance with generally accepted accounting principles except for the following:

- No accrual is provided for vacation pay.
- No provision is made in the financial statements for depreciation of buildings and equipment.
- No accrual is provided for interest on long term debt.
- Library books and periodicals are charged to expense in the year of acquisition.
- Leases of a capital nature are expensed in the Operating Funds as payments are made.

b) Fund Accounting

Transactions of the Institute are accounted for by fund accounting procedures in order to recognize various restrictions imposed on the use of available resources. Under these procedures, revenue and related expenditures are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the Institute, and derivations made by the Board of Governors. The major fund divisions are described below:

- General Purposes Operating Funds consist of those revenues and expenditures used in the general operations of the Institute.
- Specific Purposes Operating Funds consist of those revenues and expenditures used for projects stipulated by the donors and grantors.
- Restricted Funds consist of those revenues and expenditures which are restricted in nature. They include the Student Scholarship Fund, Parking Trust Fund, Aircraft Maintenance Fund, Emergency Loan Fund, Student Activity Building Trust Fund, and Good Samaritan Fund.
- Debt Service Fund consists of those grants and expenditures used in the servicing of authorized borrowings.
- Capital Fund consists of grants received for the purpose of acquiring capital assets. This fund may also be used for major renovations and alterations and capital project administration costs.

c) Land, Buildings and Equipment

Expenditures for the construction of buildings and purchase of equipment are recorded in the statement of revenue and expenditure of the Capital Fund and are included as capital assets, at cost, on the balance sheet.

d) Inventories

Bookstore, bakery, retail meat and food training inventories, held for resale, are stated at the lower of cost and net realizable value.

e) Ancillary Enterprises

Ancillary enterprises include the bookstore, student housing services, the culinary dining room, retail meat and bakery operations and are expected to operate on a break-even basis. These departments are assessed only direct costs associated with their operations.

Pacific Vocational Institute  
Notes to Financial Statements  
For the Year Ended March 31, 1985  
Page 2

## 2. LAND, BUILDINGS AND EQUIPMENT

	Capital Projects	Renovations & Public Works	Equipment	Total
Balance, beginning of year	\$19,324,049	\$1,416,272	\$ 5,745,939	\$26,490,260
Additions during the year	695,179	20,182	119,877	835,238
Balance, end of year	<u>\$20,019,228</u>	<u>\$1,436,454</u>	<u>\$ 5,865,816</u>	<u>\$27,325,498</u>
				<u>\$26,490,260</u>

Buildings and equipment include only the improvements, buildings and equipment acquired by the Institute subsequent to April 1, 1978. All equipment acquired prior to April 1, 1978 was transferred, at no cost, from the Province of British Columbia and recorded at a nominal value of \$1. All other land and buildings are the property of the following:

- Burnaby - Province of British Columbia and are provided free of charge.
- Maple Ridge - Province of British Columbia and are provided free of charge.
- See Island - Leased from the Ministry of Transport at \$20,975 per annum.

On April 4, 1983, the Institute acquired the Radford House Student Hotel from the Province of British Columbia at no cost. This property, consisting of land and premises, is recorded at a nominal value of \$1.

## 3. SHORT TERM BORROWINGS

Short term borrowings consist of demand loans and certificate of approval borrowings obtained under the provisions of the Educational Institution Capital Finance Act and the College and Institute Act. Interest is payable at the prime lending rate. The purpose of the loans is to provide interim and short term financing for construction, major renovations and special equipment purchases.

#### 4. LONG TERM DEBT

The long term debt consists of debentures issued to the British Columbia Educational Institutions Capital Financing Authority. The proceeds of the debentures are used to retire short term borrowings. Terms are as follows:

Certificate Number	Maturity	Rate	Principal	Sinking Fund Balance	Balance March 31, 1985	Annual Payment
AB6	June 20, 1993	11.75%	\$ 371,000	\$ 28,429	\$ 342,571	\$ 69,202
GB7	November 9, 1999	10.68%	1,200,000	199,421	1,000,579	157,509
GG11	June 10, 2000	12.01%	1,000,000	131,215	868,785	144,490
GG14	October 10, 2000	12.50%	2,000,000	247,102	1,752,898	298,825
GG26	March 10, 2002	16.10%	1,926,000	142,866	1,783,134	352,173
GG28	May 10, 2002	15.25%	1,948,000	100,101	1,847,899	359,637
GG40	July 4, 2003	11.37%	4,000,000	96,538	3,903,462	542,208
GG50	November 2, 2004	12.96%	1,500,000	-	1,500,000	227,178
			<u>\$13,945,000</u>	<u>\$ 945,672</u>	<u>\$12,999,328</u>	<u>\$2,131,222</u>

Annual payments include interest and sinking fund instalments and are paid to the British Columbia Educational Institutions Capital Financing Authority from grants received from the Province of British Columbia. The sinking fund balance includes the cumulative sinking fund instalments and interest earned thereon. The debentures can be recalled by the British Columbia Educational Institutions Capital Financing Authority by giving not less than five (5) months' notice in writing.

#### 5. COMMITMENTS - CAPITAL FUND

Commitments under capital contracts at March 31, 1985 amounted to \$ 21,501 (1984 - \$309,559), to be financed from the Capital Fund.

#### 6. LEASE COMMITMENTS

Commitments under long-term leases at March 31, 1985 amounted to \$170,647 (1984 - \$244,050) plus interest at the prime rate on the monthly unpaid balance. The principal portion of future lease payments are:

1986	82,277
1987	<u>88,370</u>
	<u>\$170,647</u>

Lease payments are expensed in the Operating Funds in accordance with the Institute's accounting policies as described in Note 1.

Pacific Vocational Institute  
Notes to Financial Statements  
for the Year Ended March 31, 1985  
Page 4

7. CONTINGENT LIABILITY

A contingent liability exists for banked sick pay accumulated under the previous contractual obligations. At March 31, 1985, the estimated liability amounted to \$605,294 (1984 - \$759,648). The liability represents 50% of accumulated time at current salary rates and may be taken on retirement in the form of cash or leave.

8. SUBSEQUENT EVENT

On May 31, 1985, the Minister of Education announced that Pacific Vocational Institute is to be amalgamated with the British Columbia Institute of Technology and that the amalgamated entity will operate under the name of British Columbia Institute of Technology. The effective date has not yet been determined.

PACIFIC VOCATIONAL INSTITUTE  
SCHEDULE OF PROVINCE OF BRITISH COLUMBIA GRANTS  
FOR THE YEAR ENDED MARCH 31, 1985

SCHEDULE 1

	Operating Funds		Debt Service Fund	Capital Fund	Total of All Funds	1984
	General Purposes	Specific Purposes				
Operating grants	\$ 19,514,721	\$ -	\$ -	\$ -	\$ 19,514,721	\$ 21,517,555
Capital Financing Authority:						
Sinking fund	-	-	300,133	-	300,133	187,115
Long term debt interest	-	-	1,603,912	-	1,603,912	1,354,715
Brokerage	-	-	1,875	-	1,875	5,464
Demand loan interest	-	-	260,128	-	260,128	346,005
Debt Retirement	-	-	449,316	-	449,316	681,377
Program development	-	93,700	-	-	93,700	-
Women's access	-	20,200	-	-	20,200	10,000
Skills growth fund	-	92,000	-	114,600	206,600	3,594,459
Adult basic education - special assistance program	-	850	-	-	850	2,500
Work study	-	9,000	-	-	9,000	52,851
B.C. Special Assistance	-	-	-	-	-	2,400
Handicap	-	30,000	-	-	30,000	-
	\$ 19,514,721	\$ 245,750	\$ 2,615,364	\$ 114,600	\$ 22,490,435	\$ 27,754,441

## SCHEDULE 2

PACIFIC VOCATIONAL INSTITUTE  
SCHEDULE OF OPERATING FUNDS - GENERAL PURPOSES EXPENDITURE  
FOR THE YEAR ENDING MARCH 31, 1985

	Vocational	Admin. & General	Training Resources	Media Services	Student Services	Facilities Services	Total	1984
	\$ 12,741,850	\$ 1,781,042	\$ 591,964	\$ 373,850	\$ 694,980	\$ 501,917	\$ 16,685,603	\$ 17,882,200
Salaries, wages & employee benefits								
Travel	52,362	91,369	432	1,291	15,150	3,883	164,687	96,348
Expendable supplies	1,660,653	72,495	11,955	31,086	10,079	26,033	1,812,301	1,723,907
Laundry and clothing	110,354	-	-	-	-	-	110,354	85,791
Books and periodicals	7,859	2,947	-	73,863	884	-	85,553	47,951
Data processing costs	-	34,145	-	-	39,224	-	73,369	76,439
Rental - buildings and equipment	285,047	4,443	899	1,859	-	22,376	314,624	304,731
Equipment maintenance and repairs	197,926	15,041	12,081	5,274	5,739	62,950	299,011	266,610
Buildings and grounds maintenance	-	-	-	-	-	401,717	401,717	702,388
Professional fees	6,708	196,005	-	-	-	9,547	212,260	247,691
Contract services	33,338	21,174	-	300	-	559,568	614,380	764,362
Vehicle operations and insurance	15,456	13,691	-	-	-	5,535	34,682	39,484
Professional development and association fees	8,775	37,911	195	94	9,124	41	56,140	43,363
Advertising, publicity, recruiting	15,597	144,178	-	-	2,187	-	161,962	127,759
Insurance	-	-	-	-	-	4,755	4,755	2,221
Utilities	-	-	-	-	-	-	-	-
Student activities	-	179,061	-	-	-	1,084,588	1,263,649	984,144
Miscellaneous	-	-	-	-	28,406	-	28,406	47,250
	14,050	48,925	233	706	-	-	63,914	95,656
	<u>\$ 15,150,175</u>	<u>\$ 2,642,427</u>	<u>\$ 617,759</u>	<u>\$ 488,523</u>	<u>\$ 805,773</u>	<u>\$ 2,682,910</u>	<u>\$ 22,387,567</u>	<u>\$ 23,558,295</u>



## SCHEDULE 3

PACIFIC VOCATIONAL INSTITUTE  
SCHEDULE OF RESTRICTED FUNDS ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 1985

	Student Activity Building	Parking Trust Fund	Student Scholarship Fund	Aircraft Maintenance Fund	Emergency Loan Fund	Good Samaritan Fund	Total of All Funds	1984
<b>REVENUE</b>								
Investment Income	\$ 5,853	\$ 11,883	\$ 1,306	\$ 172	\$ 60	\$ -	\$ 19,274	\$ 10,506
Parking Fees	-	42,222	-	-	-	-	42,222	38,671
Sales	-	-	-	-	-	-	-	-
Gifts and donations	3,090	-	31,475	-	-	-	34,565	42,710
Inter fund transfer	-	-	-	-	1,000	-	1,000	-
	8,943	54,105	32,781	172	1,060	-	97,061	91,887
<b>EXPENDITURE</b>								
Student awards	-	-	31,324	-	-	-	31,324	22,037
Uncollectable loans	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	3,545	27	3,572	301
Inter fund transfer	-	-	1,000	-	-	-	1,000	314
	-	-	32,324	-	3,545	27	35,896	22,672
Excess (deficiency) of revenue over expenditure	8,943	54,105	457	172	(2,485)	(27)	61,165	69,215
Fund balances - beginning of year	54,677	121,408	6,576	2,169	5,261	48	190,139	120,924
Fund balances - end of year	\$ 63,620	\$ 175,513	\$ 7,033	\$ 2,341	\$ 2,776	\$ 21	\$ 251,304	\$ 190,139

**PROVINCIAL CAPITAL COMMISSION**



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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AUDITOR'S REPORT

To the Chairman and Members of the  
Provincial Capital Commission, and

To the Minister of Finance  
Province of British Columbia:

I have examined the balance sheet of the Provincial Capital Commission as at 31 March 1985 and the statement of revenue, expenditure and surplus for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at 31 March 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles, as modified by note 2(c) to the financial statements, applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
11 June 1985

## PROVINCIAL CAPITAL COMMISSION

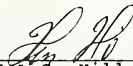
## BALANCE SHEET

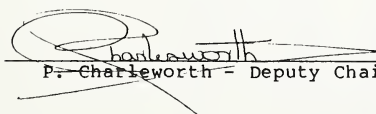
AS AT 31 MARCH 1985

	<u>1985</u>	<u>1984</u>
<b>ASSETS</b>		
Cash	\$ 110,046	\$ 147,729
Short-term investments (market value \$1,729,615, 1984 - \$1,505,467)	1,724,299	1,505,467
Accounts receivable	75,448	44,285
Due from the Province of British Columbia	-	19,544
Inventory	9,865	8,336
Prepaid expenses	10,324	13,707
Deferred charges	-	1,778
Property (note 3)	<u>1</u>	<u>1</u>
	<u>\$1,929,983</u>	<u>\$1,740,847</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 129,260	\$ 167,487
Deferred rental income	<u>13,395</u>	<u>10,289</u>
	<u>142,655</u>	<u>177,776</u>
<b>SURPLUS</b>		
Appropriated (note 4)	162,344	195,947
Unappropriated	1,624,983	1,367,123
Contributed	<u>1</u>	<u>1</u>
	<u>1,787,328</u>	<u>1,563,071</u>
	<u>\$1,929,983</u>	<u>\$1,740,847</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Commission:

  
K.A.S. Hill - Chairman

  
P. Charleworth - Deputy Chairman

## PROVINCIAL CAPITAL COMMISSION

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 1985

	Capital (Schedule 2)		Operations					Total	
			General		Crystal Garden				
	1985	1984	1985	1984	1985	1984	1984	1985	1984
REVENUE									
Province of British Columbia									
Operating grant (note 5)	\$ -	\$ -	\$256,500	\$ 362,021	\$ -	\$ -		\$ 256,500	\$ 362,021
Admissions	-	-	-	-	290,819	326,442		290,819	326,442
Ballroom, lounge rental and bar sales	-	-	-	-	120,252	121,296		120,252	121,296
Interest and other income	-	-	188,936	171,316	56,115	48,841		245,051	220,157
Tenant rentals	-	-	535,370	478,482	166,472	163,767		701,842	642,249
	-	-	980,806	1,011,819	633,658	660,346		1,614,464	1,672,165
EXPENDITURE									
Operating (Schedule 1)	-	-	630,885	708,538	686,028	686,814		1,316,913	1,395,352
Capital	73,294	512,053	-	-	-	-		73,294	512,053
	73,294	512,053	630,885	708,538	686,028	686,814		1,390,207	1,907,405
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE	(73,294)	(512,053)	349,921	303,281	(52,370)	(26,468)		224,257	(235,240)
TRANSFERS	39,691	256,924	(39,691)	(256,924)	-	-		-	-
INCREASE (DECREASE) IN SURPLUS	(33,603)	(255,129)	310,230	46,357	(52,370)	(26,468)		224,257	(235,240)
SURPLUS (DEFICIT) - BEGINNING OF YEAR	195,947	451,076	1,880,611	1,834,254	(513,488)	(487,020)		1,563,070	1,796,310
- END OF YEAR	\$162,344	\$195,947	\$2,190,841	\$1,880,611	\$155,858	\$151,553		\$1,787,327	\$1,563,070
SURPLUS - APPROPRIATED								\$ 162,344	\$ 195,947
UNAPPROPRIATED								1,624,983	1,367,123
								\$1,787,327	\$1,563,070

PROVINCIAL CAPITAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1985

1. THE COMMISSION

The Provincial Capital Commission operates under authority of the Capital Commission Act, RSBC 1979, Chapter 42.

The Commission is responsible for the following:

- . advising on the planning and funding of improvement and beautification projects in the Capital Improvement District,
- . controlling and managing specific approved projects not under the direct control of member municipalities,
- . co-ordinating construction and development work of all construction proposals on land controlled or owned by the Province in the Capital Improvement District,
- . serving Greater Victoria through co-operation with local municipalities and by assistance funding to approved improvement and beautification projects, and
- . operating the Crystal Gardens and St. Ann's Academy.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventory

Inventory is valued at the lower of cost and net realizable value.

(b) Deferred charges

Expenditures associated with the negotiation of the Crystal Garden leases are amortized over five years.

PROVINCIAL CAPITAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1985

(c) Fixed assets

Property comprised of land and buildings owned by the Commission is recorded at a nominal value of one dollar. Additions, renovations and beautification projects of a capital nature to land and buildings owned by the Commission are charged to capital operations as incurred.

Furnishings and equipment are charged to operating expenses in the year of acquisition.

(d) Short-term investments

Short-term investments are recorded at cost.

3. PROPERTY

Property recorded at a nominal value of one dollar represents forty-five properties transferred to the Commission from the Province of British Columbia as free Crown grants.

The aggregate assessed value of these properties, including improvements made by the Commission, was \$25,836,000 at 31 December 1984 (\$31,492,164 at 31 December 1983).

4. APPROPRIATED SURPLUS

Appropriated surplus is comprised of balances of amounts approved by Order in Council for capital projects which are not yet completed.

5. PROVINCE OF BRITISH COLUMBIA OPERATING GRANT

The operating grant represents a lump sum payment to the Commission by the Ministry of Finance to cover administrative expenses.

PROVINCIAL CAPITAL COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 1985

6. PROPERTY TAXES

Lands used for public purposes are exempt from property taxes. Property taxes in the financial statements relate only to commercial use properties owned by the Commission.

7. SUBSEQUENT EVENT

On April 30, 1985, the Commission had received a Surrender of Lease registered with the Land Title Office, relinquishing all rights to the property previously leased to Oakcrest Park Estates Ltd. Presently, the Commission is in the process of transferring the property to the Ministry of Lands, Parks and Housing.

8. RECLASSIFICATIONS

Certain of the 1984 financial statement items have been reclassified to conform with the presentation adopted in 1985.

## Schedule 1

## PROVINCIAL CAPITAL COMMISSION

## SCHEDULE OF OPERATING EXPENSES

FOR THE YEAR ENDED 31 MARCH 1985

	General Operations			Crystal Garden			Total
	1985	1984	1985	1984	1985	1984	
Accounting and professional services	\$ 62,471	\$ 87,674	\$ 50	\$ 3,082	\$ 62,521	\$ 90,756	
Advertising and promotion	5,234	-	73,480	81,997	78,714	81,997	
Amortization of deferred charges	-	-	1,779	2,830	1,779	2,830	
Aviary	-	-	16,163	15,527	16,163	15,527	
Bad Debts Expense	1,509	1,946	810	-	2,319	1,946	
Ballroom, lounge and bar	-	-	50,963	52,835	50,963	52,835	
Commissions	35,858	29,178	-	-	35,858	29,178	
Equipment rentals	8,553	6,034	-	-	8,553	6,034	
Freight	-	-	1,258	-	1,258	717	
Horticultural	-	-	19,077	15,338	19,077	15,338	
Insurance	13,683	14,239	7,291	7,173	20,974	21,412	
Janitorial	-	1,350	47,035	47,650	47,035	49,000	
Landscaping	21,206	2,600	-	-	21,206	2,600	
Miscellaneous	6,081	5,468	5,470	3,727	11,551	9,195	
Office	21,480	7,492	5,329	5,886	26,809	13,378	
Property taxes (note 6)	47,469	45,585	33,991	34,215	81,460	79,800	
Rent	3,480	57,935	-	-	3,480	57,935	
Repairs and maintenance	93,080	99,927	45,969	30,926	139,049	130,853	
Royal visit	-	3,445	-	-	-	3,445	
Salaries and benefits	238,410	307,401	239,737	245,009	478,147	552,410	
Security	4,362	-	32,926	33,199	37,288	33,199	
Telephone	8,475	1,041	5,241	4,324	13,716	5,365	
Tours	-	-	26,585	20,928	26,585	20,928	
Travel	-	164	1,304	2,724	1,304	2,888	
Utilities	57,734	34,809	71,570	78,727	129,304	113,536	
Wharfinger services	1,800	2,250	-	-	1,800	2,250	
	\$630,885	\$708,538	\$686,028	\$686,814	\$1,316,913	\$1,395,352	



## Schedule 2

PROVINCIAL CAPITAL COMMISSION  
 SCHEDULE OF APPROPRIATED SURPLUS  
 FOR THE YEAR ENDED 31 MARCH 1985

	Balance at Beginning of Year	Authorized Additions (Deletion) During the Year	Capital Expenditures During the Year	Balance End of Year
Colquitz Creek	\$ 42,245	\$ -	\$ 20,038	\$22,207
Reay Creek	2,845	30,000	2,857	29,988
Fleming Beach	70,000	-	38,840	31,160
Landscaping	5,809	(5,809)	-	-
St. Ann's Academy	11,548	-	11,548	-
Wharf Street Rock Wall	63,500	-	-	63,500
Brentwood Bay-Pioneer Park	-	15,500	11	15,489
	<u>\$195,947</u>	<u>\$ 39,691</u>	<u>\$ 73,294</u>	<u>\$162,344</u>

## PROVINCIAL RENTAL HOUSING CORPORATION



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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### AUDITOR'S REPORT

To the Shareholder of the Provincial Rental Housing Corporation, and

To the Minister of Lands, Parks and Housing  
Province of British Columbia:

I have examined the statement of financial position of the Provincial Rental Housing Corporation as at 31 December 1984 and the statements of accumulated return of investment and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at 31 December 1984 and the accumulated return of its investment and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles, as modified by note 2 (b) to the financial statements, applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
1 February 1985

## PROVINCIAL RENTAL HOUSING CORPORATION

## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1984

ASSETS

	<u>1984</u>	<u>1983</u>
CURRENT ASSETS		
Amortization revenue receivable	\$ 150,357	\$ -
Prepaid expenses	<u>21,656</u>	<u>19,957</u>
	172,013	19,957
INVESTMENT IN RENTAL HOUSING (note 3)	<u>76,236,737</u>	<u>76,363,732</u>
	<u>\$76,408,750</u>	<u>\$76,383,689</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

## CURRENT LIABILITIES

Interest payable and accrued	\$ 4,860,371	\$ 4,725,960
Current portion of long-term debt	<u>91,281</u>	<u>81,842</u>
	4,951,652	4,807,802
LONG-TERM DEBT (note 4)	<u>70,754,576</u>	<u>70,873,365</u>
	<u>75,706,228</u>	<u>75,681,167</u>

## SHARE CAPITAL

Authorized 10,000 common shares of no par value		
Issued and fully paid - 3 shares	3	3
CONTRIBUTED SURPLUS	669,076	669,076
RETAINED EARNINGS	<u>33,443</u>	<u>33,443</u>
	<u>702,522</u>	<u>702,522</u>
	<u>\$76,408,750</u>	<u>\$76,383,689</u>

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Director

Director

PROVINCIAL RENTAL HOUSING CORPORATION  
 STATEMENT OF ACCUMULATED RETURN OF INVESTMENT  
 FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
REVENUE		
Amortization	\$ <u>8,696,516</u>	\$ <u>8,546,159</u>
EXPENSES		
Interest on long-term debt	7,505,885	7,487,434
Insurance	<u>35,763</u>	<u>39,554</u>
	<u>7,541,648</u>	<u>7,526,988</u>
EXCESS OF REVENUE OVER EXPENSES	1,154,868	1,019,171
ACCUMULATED RETURN OF INVESTMENT		
- at beginning of year	<u>12,586,350</u>	<u>11,567,179</u>
- at end of year (note 3)	<u>\$13,741,218</u>	<u>\$12,586,350</u>

PROVINCIAL RENTAL HOUSING CORPORATION  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
FUNDS WERE PROVIDED BY:		
Excess of revenue over expenses	\$1,154,868	\$1,019,171
Province of British Columbia		
- increase in debenture	4,843,512	4,884,806
- mortgage loan	<u>1,027,873</u>	<u>-</u>
	<u>7,026,253</u>	<u>5,903,977</u>
FUNDS WERE APPLIED TO:		
Investment in rental housing	1,027,873	-
Reduction in long-term debt		
- Canada Mortgage & Housing Corp.	89,966	81,843
- Mortgage from the Province of B.C.	1,315	-
- Province of British Columbia debenture	<u>5,898,893</u>	<u>8,759,209</u>
	<u>7,018,047</u>	<u>8,841,052</u>
(INCREASE) DECREASE IN WORKING CAPITAL	(8,206)	2,937,075
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	<u>4,787,845</u>	<u>1,850,770</u>
WORKING CAPITAL DEFICIENCY AT END OF YEAR	<u><u>\$4,779,639</u></u>	<u><u>\$4,787,845</u></u>

## PROVINCIAL RENTAL HOUSING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

1. THE CORPORATION

The Provincial Rental Housing Corporation is incorporated under the Company Act of the Province of British Columbia and is a Housing Corporation and an agent of the Crown. It is wholly owned by the Province of British Columbia.

2. SIGNIFICANT ACCOUNTING POLICIES

## a) Amortization Revenue

Amortization revenue represents amounts charged by the Corporation to the British Columbia Housing Management Commission, which manages the rental housing units of the Corporation.

The amount charged to the Commission is based on the acquisition costs of the housing units amortized generally over 50 years.

## b) Investment in Rental Housing

Investment in rental housing is stated at cost less accumulated return of investment. The accumulated return of investment representing the excess of revenue over expenses is treated as a reduction, in lieu of depreciation, in the carrying value of investment in rental housing. The reduction is expected to write off the capital costs of the projects over a period of fifty years.

3. INVESTMENT IN RENTAL HOUSING

The investment of the Corporation in subsidized rental housing at December 31, 1984 was comprised of 99 projects and consisted of the following:

	<u>1984</u>	<u>1983</u>
Properties eligible for Federal loans	\$64,033,927	\$64,033,927
Provincial share of joint Federal/ Provincial properties	24,916,155	24,916,155
Property not eligible for Federal loans	<u>1,027,873</u>	<u>-</u>
	89,977,955	88,950,082
Less - accumulated return of investments	<u>13,741,218</u>	<u>12,586,350</u>
	<u>\$76,236,737</u>	<u>\$76,363,732</u>

## PROVINCIAL RENTAL HOUSING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

4. <u>LONG TERM DEBT</u>	<u>1984</u>	<u>1983</u>
Province of British Columbia		
9.75% Debenture	\$23,306,615	\$24,361,996
14.50% Mortgage loan	<u>1,027,873</u>	<u>-</u>
	<u>24,334,488</u>	<u>24,361,996</u>
Canada Mortgage and Housing Corporation		
Debenture mortgage loans	<u>46,511,369</u>	<u>46,593,211</u>
	70,845,857	70,955,207
Less - current portion	<u>91,281</u>	<u>81,842</u>
	<u>\$70,754,576</u>	<u>\$70,873,365</u>

- a) The provincial debenture is repayable on demand and is secured by a first floating charge on all the property, assets and undertakings of the Corporation.

The provincial mortgage loan is repayable to the Crown Land Account over 35 years. The loan bears interest at 14 1/2% compounded yearly and is a registered mortgage against the property.

- b) The debenture mortgage loans are repayable to the Canada Mortgage and Housing Corporation over terms up to fifty years. These loans bear interest at rates from 8% to 10.75% and are secured by unregistered first mortgages on properties with a carrying value of \$56,792,983.

The aggregate repayments of principal required to meet debt obligations in each of the next five years are as follows:

1985	\$ 91,281
1986	\$100,406
1987	\$110,452
1988	\$121,513
1989	\$133,693

5. ADMINISTRATION COSTS

No administration costs are charged to the Corporation for services performed by personnel of the Ministry of Lands, Parks and Housing.

SCIENCE COUNCIL OF BRITISH OF COLUMBIA  
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

Coopers  
& Lybrand

chartered accountants

a member firm of  
Coopers & Lybrand (International)

AUDITORS' REPORT

TO THE MINISTER OF UNIVERSITIES,

SCIENCE AND COMMUNICATIONS

We have examined the balance sheet of The Science Council of British Columbia and Secretariat on Science, Research and Development as at March 31, 1985 and the statements of research appropriations, expenditures and unexpended appropriations and operations appropriations, expenditures and unexpended appropriations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Council and Secretariat as at March 31, 1985 and the results of their operations for the year then ended in accordance with generally accepted accounting principles, as modified by note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

*Coopers & Lybrand*

Vancouver, B.C.

May 17, 1985



THE SCIENCE COUNCIL OF BRITISH COLUMBIA  
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT  
BALANCE SHEET AS AT MARCH 31, 1985

## ASSETS

	1985 \$	1984 \$
CASH AND SHORT-TERM DEPOSITS	3,103,822	3,913,513
ACCOUNTS RECEIVABLE	43,315	40,553
PREPAID EXPENSES	<u>1,611</u>	<u>4,339</u>
	<u>3,148,748</u>	<u>3,958,405</u>

## L I A B I L I T I E S

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	<u>44,151</u>	<u>53,801</u>
------------------------------------------	---------------	---------------

## UNEXPENDED APPROPRIATIONS

RESEARCH (note 2)	3,055,659	3,809,585
OPERATIONS	<u>48,938</u>	<u>95,019</u>
	<u>3,104,597</u>	<u>3,904,604</u>
COMMITMENTS (note 2)	3,148,748	3,958,405

APPROVED BY THE COUNCIL AND SECRETARIAT

Andrew  
15 Sept.

THE SCIENCE COUNCIL OF BRITISH COLUMBIA  
 AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT  
 STATEMENT OF RESEARCH APPROPRIATIONS, EXPENDITURES  
 AND UNEXPENDED APPROPRIATIONS  
 FOR THE YEAR ENDED MARCH 31, 1985

	1985 \$	1984 \$
RESEARCH APPROPRIATIONS		
Grants from the Province of British Columbia	3,200,000	3,660,725
Interest	382,103	437,823
Other	<u>10,344</u>	<u>          </u>
	<u>3,592,447</u>	<u>4,098,548</u>
RESEARCH EXPENDITURES		
Direct expenses and other	5,070	1,608
Graduate Research Engineering And Technology (GREAT) awards (see Schedule)	609,481	511,458
Grants (see Schedule)	3,339,132	4,294,747
Honoraria	4,800	7,800
Industrial Post-Doctoral Fellowships (IPDF) (see Schedule)	162,500	53,125
Public events		31,636
Science and Engineering awards	12,016	14,858
Special requests (see Schedule)	184,184	237,401
Special projects (see Schedule)	<u>29,190</u>	<u>75,116</u>
	<u>4,346,373</u>	<u>5,227,749</u>
EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR THE YEAR	(753,926)	(1,129,201)
UNEXPENDED APPROPRIATIONS - BEGINNING OF YEAR	<u>3,809,585</u>	<u>4,938,786</u>
UNEXPENDED APPROPRIATIONS - END OF YEAR (encumbered by outstanding commitments) (note 2)	<u>3,055,659</u>	<u>3,809,585</u>

THE SCIENCE COUNCIL OF BRITISH COLUMBIA  
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT  
STATEMENT OF OPERATIONS APPROPRIATIONS, EXPENDITURES  
AND UNEXPENDED APPROPRIATIONS  
FOR THE YEAR ENDED MARCH 31, 1985

	1985 \$	1984 \$
OPERATIONS APPROPRIATIONS		
Grants from the Province of British Columbia	249,700	355,847
Interest	<u>8,488</u>	<u>10,773</u>
	<u>258,188</u>	<u>366,620</u>
EXPENDITURES		
Computer services	3,750	3,009
Consulting fees	630	1,629
Furniture and equipment	22,986	4,582
Information services	3,203	15,644
Leasehold improvements	5,873	
Meetings	2,290	1,810
Moving	5,473	
Personnel recruitment	840	
Photocopying and printing	19,402	24,442
Postage and courier	4,553	7,841
Professional fees	5,898	8,585
Publications	895	1,285
Rent	46,718	53,572
Salaries and employee benefits	278,765	316,348
Stationery and supplies	2,877	3,769
Telephone	10,710	12,307
Travel	<u>9,371</u>	<u>15,702</u>
	424,234	470,525
Other		
British Columbia Computer Industry Software Study		<u>50,000</u>
	<u>424,234</u>	<u>520,525</u>
RECOVERY OF EXPENDITURES		
British Columbia Health Care Research Foundation	106,456	59,046
British Columbia Innovation Office	12,393	
British Columbia Computer Industry Software Study		50,000
Other	<u>1,116</u>	<u>7,352</u>
	<u>119,965</u>	<u>116,398</u>
EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR THE YEAR	(46,081)	(37,507)
UNEXPENDED APPROPRIATIONS - BEGINNING OF YEAR	<u>95,019</u>	<u>132,526</u>
UNEXPENDED APPROPRIATIONS - END OF YEAR	<u>48,938</u>	<u>95,019</u>

THE SCIENCE COUNCIL OF BRITISH COLUMBIA  
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

1. ACCOUNTING POLICIES

Fixed Assets

Fixed assets are not capitalized and depreciated as assets of the Council and Secretariat, but are written off in the period in which they are purchased.

Research Grants

Outstanding research grant commitments are conditional on receipt of satisfactory progress reports and are not recorded until actually disbursed.

2. RESEARCH GRANT COMMITMENTS (see Schedule)

During the year, the Council approved funding for research projects, awards, special requests and special projects totalling \$3,670,546. At March 31, 1985, known outstanding commitments totalled \$2,929,431 which, together with additional estimated renewed commitments for the year ending March 31, 1986 of \$1,824,890, amount to \$4,754,321 in known and estimated outstanding commitments.

The Council continued with an agreement whereby it shared certain costs associated with The B.C. Innovation Office with The Discovery Foundation until November 30, 1984, after which the Discovery Foundation took over the administration of the project. The Council transferred \$34,731 to the Discovery Foundation, being the balance of funds which had been committed for the operations of the Innovation Office.

3. PUBLIC INFORMATION

During the year, the Council spent \$28,876 on public information activities. An amount of \$12,000 is committed for the production costs of a brochure in the next fiscal year.

THE SCIENCE COUNCIL OF BRITISH COLUMBIA  
AND SECRETARIAT ON SCIENCE, RESEARCH AND DEVELOPMENT  
SCHEDULE OF COMMITMENTS AND DISBURSEMENTS OF SCIENCE COUNCIL RESEARCH GRANTS  
FOR THE YEAR ENDED MARCH 31, 1985

	Known outstanding commitments beginning of year \$	Additional commitments during year \$	Disbursed during year \$	Known outstanding commitments end of year \$	Estimated renewed commitments in 1985 - 1986 \$	Known and estimated outstanding commitments at March 31, 1985 \$
<b>RESEARCH GRANTS</b>						
Research Competition I1	4,450		4,450			3,000
Research Competition I2	28,453		38,138	3,000		28,490
Research Competition I3	175,042	(8,414)		28,490		80,512
Research Competition I4	105,877	(3,680)	29,619	80,512		80,825
Research Competition I5	167,616	(1,420)	23,582	80,825		97,962
Research Competition I6	816,401	(31,973)	67,745	97,962		284,062
Research Competition I7	798,641	(20,189)	590,957	284,062		187,495
Research Competition I8	1,285,564	(88)	952,652	332,332		322,824
Research Competition I9		1,074,041	536,030	548,011	752,744	1,322,824
Research Competition I10		1,704,146	580,140	1,124,006	588,646	1,712,652
Research Competition I11						
	<u>3,395,805</u>	<u>2,710,514</u>	<u>3,339,132</u>	<u>2,767,187</u>	<u>1,340,890</u>	<u>4,108,077</u>
<b>AWARDS</b>						
GREAT's						
IPDF's	<u>87,500</u>	<u>609,481</u>	<u>609,481</u>	<u>93,750</u>	<u>384,000</u>	<u>384,000</u>
		<u>168,250</u>	<u>162,500</u>		<u>100,000</u>	<u>193,750</u>
	<u>87,500</u>	<u>778,231</u>	<u>771,981</u>	<u>93,750</u>	<u>484,000</u>	<u>577,750</u>
<b>SPECIAL REQUESTS</b>						
Arts, Science and Technology Centre - Youth Prize						
B.C.S.T.A. Book Prize		11,940	10,746	1,194		1,194
Innovation Co-ordinator	73,438	10,000		10,000		10,000
Macdonald Dettweiler - ROMAC		40,000	73,438			
B.R. Macmillan Planetarium	1,300		27,000	13,000		13,000
McNane Energy Development Office		53,000	53,000	1,300		1,300
Science Showcase	<u>20,000</u>		<u>20,000</u>			
	<u>94,738</u>	<u>114,940</u>	<u>184,184</u>	<u>25,494</u>		<u>25,494</u>
<b>SPECIAL PROJECTS</b>						
Project Review Program		31,000		31,000		31,000
Public Information	<u>5,329</u>	<u>40,876</u>	<u>28,876</u>	<u>12,000</u>		<u>12,000</u>
Schools' Book Prize		(3,013)	314			
	<u>5,329</u>	<u>66,861</u>	<u>29,190</u>	<u>43,000</u>		<u>43,000</u>
	<u>3,583,372</u>	<u>3,670,546</u>	<u>4,324,487</u>	<u>2,929,431</u>	<u>1,824,890</u>	<u>4,754,321</u>
						<u>Coopers &amp; Lybrand</u>

## SIMON FRASER UNIVERSITY



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

## AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of  
Simon Fraser University, and

To the Minister of Universities, Science and Communications  
Province of British Columbia:

I have examined the balance sheet of Simon Fraser University as  
at 31 March 1985 and the following statements for the year then  
ended:

Statement 2 - Statement of revenue and expenditures and  
changes in expendable fund balances

Statement 3 - Statement of changes in appropriated  
expendable funds

Statement 4 - Statement of changes in non-expendable  
funds

Statement 5 - Statement of changes in equity in plant  
assets

My examination was made in accordance with generally accepted  
auditing standards, and accordingly included such tests and other  
procedures as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the  
financial position of the University as at 31 March 1985 and the  
results of its operations and changes in fund balances for the  
year then ended in accordance with accounting principles  
described in note 1 to the financial statements, applied, after  
giving retroactive effect to the change in the method of  
accounting for equipment and library acquisitions described in  
note 1h) to the financial statements, on a basis consistent with  
that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
13 June 1985

Statement 1

## SIMON FRASER UNIVERSITY


## Balance Sheet

As at March 31, 1985

(thousands of dollars)

ASSETS	1985	1984	LIABILITIES AND FUND BALANCES	1985	1984
Cash and short term investments	\$ 28,212	\$ 25,767	Bank loans (Note 2)	\$ 2,194	\$ 2,297
Accounts receivable	2,804	1,949	Accounts payable and accrued liabilities (Note 6)	8,453	7,959
Inventories (Note 1e)	1,312	1,479	Long term debt (Note 3)		
Prepaid expenses	148	187	Canada Mortgage and Housing Corporation	3,372	3,400
Long term investments	1,944	1,813	Capital Financing Authority	\$45,307	
(market \$11,983; 1984 \$1,825)			Less sinking fund (Note 3)	<u>4,564</u>	<u>40,720</u>
Plant assets			Non-expendable fund balances (Statement 4)		
Land and buildings (Note 1f)	102,428	101,111	Student loan	83	83
Equipment (Note 1h)	23,027	21,116	Endowment	4,579	2,938
Library acquisitions (Note 1h)	17,484	15,886	Expendable fund balances		
			Sponsored research (Statement 2)	1,670	1,798
			Specific purpose (Statement 2)	2,131	2,008
			Pension plan reserve (Note 5)	2,570	2,358
			Appropriated (Statement 3)		
			General operating	9,695	8,251
			Capital	2,796	2,255
			Ancillary enterprises	439	174
			Unappropriated (Statement 2)		
			General operating	209	927
			Capital	1,934	2,502
			Ancillary enterprises	(67)	69
			Equity in plant assets (Statement 5)	96,558	91,569
				<u>\$177,359</u>	<u>\$169,308</u>

Approved by the Board of Governors:



E.M. Scott, Ph.D.  
Chairman, Board of Governors  
Vice President, Finance

## SIMON FRASER UNIVERSITY

## Statement of Revenue and Expenditures and Changes in Expendable Fund Balances

For the Year Ended March 31, 1985

(thousands of dollars)

	General Operating 1985	1984	Sponsored Research 1985	1984	Specific Purpose (Schedule 2) 1985	1984	Ancillary Enterprises (Schedule 3) 1985	1984	Totals 1985	1984
<b>REVENUE AND OTHER ADDITIONS</b>										
Government grants and contracts	\$63,237	\$66,635	\$1,010	\$ 994	\$1,773		\$ 7,184	\$ 6,628	\$ 73,204	\$ 75,886
Province of British Columbia	6		6,560	5,842	840				7,406	6,030
Government of Canada					54				85	102
Other governments	10,521	9,164	31	30	653				11,174	9,616
Student fees - credit courses	386	361			4				390	398
Student fees - non-credit courses	466	417							483	417
Gifts, grants and bequests	30	26	335	314	406		60	50	831	773
Sales of services and goods									3,687	3,587
Investment income	2,111	1,771			446		566	466	3,123	2,587
Miscellaneous income	465	367	26		82		1,36	250	609	627
Unexpended capital expenditures							1,299	4,220	1,299	4,220
Interest income							4,420	251	4,200	251
Interfund transfers in	54	212	16	106	671		1,071	1,345	1,945	2,228
	77,276	78,922	7,978	7,286	4,929		10,636	13,810	102,694	104,494
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>										
Salaries - academic ranks	26,171	26,331	371	343	738				27,280	27,004
- other instruction and research	1,116	1,837	4,248	3,688	447				8,611	7,660
- other instruction and research staff	22,150	22,504			2,410		482		23,957	24,410
Total salaries	52,237	53,044	4,619	4,031	2,410				59,846	59,074
Employee benefits	6,527	6,517	227	208	165		47		6,966	6,889
Travel and personnel costs	1,436	1,376	703	594	258		8		2,405	2,271
Operating supplies and expenses	5,670	5,810	1,141	837	709				7,596	7,292
Equipment and furnishings	288	337	1,103	924	364		13		3,235	2,870
Equipment and facility rentals	1,498	1,787	34	20	2				2,014	1,825
Utilities	1,298	1,283			22				1,693	1,589
Libraries	2,426	2,284							2,446	2,266
Scholarships, fellowships and bursaries	2,200	1,854	4	4	645				2,845	2,302
Contract services	1,603	1,655							1,784	1,838
Professional fees	592	755	187	146	145				929	980
Renovations and alterations	375	464	10	11	8				560	686
Debt servicing - interest							5,893	5,528	6,201	5,831
Debt servicing - principal							1,435	1,076	2,462	1,101
Cost of goods sold									1,466	1,539
Capital acquisitions							2,062		1,849	4,763
Internal cost allocations										
Internal cost recoveries	(1)	(2)			1				(2,401)	(2,315)
Interfund transfers out	(2,221)	(2,250)			(166)				63	39
Net transfer to non-expendable funds	1,561	2,471	78		154				212	1,288
Transfer to pension plan reserve (Note 5)	5				58					
	76,550	78,947	8,106	6,775	4,806		10,663	12,575	101,871	102,745
<b>APPROPRIATIONS (Statement 3)</b>										
Appropriations released from prior year	4,431	7,178			10		2,016	754	6,457	7,944
New appropriations	(5,875)	(7,531)			(275)		(2,557)	(1,509)	(8,707)	(9,116)
	(1,444)	(353)			(265)		(541)	(755)	(2,250)	(1,172)
Net Increase (Decrease) During Year	(718)	(378)	(128)	511	123		(568)	480	(1,427)	577
Fund Balance at Beginning of Year	927	1,305	1,798	1,287	2,008		2,502	2,022	7,304	6,727
Fund Balance at End of Year	\$ 209	\$ 927	\$1,670	\$1,798	\$2,131		\$1,934	\$2,502	\$5,877	\$7,304

\*Interfund transfers are excluded from totals.



## Statement 3

## SIMON FRASER UNIVERSITY

## Statement of Changes in Appropriated Expendable Funds

for the Year Ended March 31, 1985

(thousands of dollars)

	General Operating	Ancillary Enterprises	Capital	Total 1985	Total 1984
Fund balance at beginning of year	\$8,251	\$174	\$2,255	\$10,680	\$ 9,508
Released from prior year's appropriation	(4,431)	(10)	(2,016)	(6,457)	(7,944)
Appropriations for the year	5,875	275	2,557	8,707	9,116
	\$9,695	\$439	\$2,796	\$12,930	\$10,680
DETAIL OF FUND BALANCE AT END OF YEAR					
Provision for non-recurring expenditures	\$1,388			\$ 1,388	\$ 2,045
Provision for authorized projects			\$2,796	2,796	2,255
Provision for equipment replacement and capital improvements		\$439		439	174
Provision for annualized costs	461			461	783
Authorized allocations to following fiscal year	673			673	711
Provision for research grants carryover	741			741	542
Reserve for self-insurance	200			200	400
Provision for library systems (GEAC)	999			999	
Provision for specific expenditure	4,615			4,615	2,970
Provision for contingencies	618			618	800
	\$9,695	\$439	\$2,796	\$12,930	\$10,680

S I M O N F R A S E R U N I V E R S I T YStatement 4Statement of Changes in Non-Expendable Funds  
For the Year Ended March 31, 1985

(thousands of dollars)

	<u>Student Loan</u>	<u>Endowment</u>	<u>Total 1985</u>	<u>Total 1984</u>
<u>REVENUE AND OTHER ADDITIONS</u>				
Province of British Columbia		\$ 100	\$ 100	
Gifts, grants and bequests		1,478	1,478	\$ 508
Interfund transfers		63	63	39
Net increase during the year		1,641	1,641	547
Fund balance at beginning of year	\$83	2,938	3,021	2,474
Fund balance at end of year	\$83	\$4,579	\$4,662	\$3,021

S I M O N F R A S E R U N I V E R S I T Y  
Statement of Changes in Equity in Plant Assets  
For the Year Ended March 31, 1985  
(thousands of dollars)

Statement 5

	<u>1985</u>	<u>1984</u>
<u>EQUITY INCREASED BY</u>		
Additions to plant assets		
Capitalized acquisitions		
- Capital Fund	\$ 1,849	\$ 4,763
Equipment expensed when acquired		
- Capital Fund	1,467	1,208
- Operating Fund	288	337
- Sponsored Research Fund	1,103	924
- Specific Purpose Fund	364	395
Library acquisitions expensed when acquired		
- Operating Fund	1,672	1,553
- Specific Purpose Fund	21	36
Pre-1984 equipment and library acquisitions expensed		29,643
	<u>6,764</u>	<u>38,859</u>
Repayments of capital borrowings from		
provincial government grants	1,015	825
Interest earned on sinking fund	420	251
Ancillary enterprise operations	27	25
	<u>8,226</u>	<u>39,960</u>
<u>EQUITY DECREASED BY</u>		
Net capital borrowings	1,299	4,220
Equipment written off	1,844	5,332
Library dispositions	94	337
	<u>3,237</u>	<u>9,889</u>
Net increase during year	4,989	30,071
Equity at beginning of year	91,569	61,498
Equity at end of year	<u>\$96,558</u>	<u>\$91,569</u>

## NOTES TO FINANCIAL STATEMENTS

March 31, 1985

1) Significant Accounting Policiesa) General

These financial statements have been prepared in accordance with accounting principles generally accepted for universities as described in the "Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada", published in 1984 by the Canadian Association of University Business Officers (CAUBO).

b) Fund Accounting

The University accounts are maintained in conformity with fund accounting procedures in order to recognize restrictions imposed on the use of resources. Under these procedures, resources are classified into funds in accordance with objectives authorized by the Board of Governors or otherwise specified.

Funds have been classified as expendable or non-expendable. Expendable funds are those which may be expended in their entirety within any specified restrictions. Non-expendable funds must be maintained at no less than the original fund balance.

Funds have been combined for reporting purposes into the following major groups:

Expendable funds:

- General Operating Fund comprises funds used in the general operations of the University.
- Specific Purpose Fund consists of grants and donations for designated purposes and income earned on endowment funds.
- Sponsored Research Fund consists of gifts, grants or research contracts which are specifically earmarked for support of research activities.
- Ancillary Enterprises provide goods and services supplementary to the primary functions of teaching and research on a charge-for-service basis. These enterprises include residences and bookstore. Expenses include direct operating costs and payments of interest and principal on debentures relating to the residences. No administrative overhead has been applied except for imputed interest on bookstore inventory balances.
- Capital Fund comprises amounts received for the acquisition of capital assets, major renovations, and repayment of long term debt.

Non-expendable funds:

- Endowment Fund consists of amounts received or appropriated with the stipulation that the principal will be invested and the resultant earned income expended for specific purposes.
- Student Loan Fund is a revolving fund from which loans are made to students.

The balance sheet consolidates the assets and liabilities of all funds. Statements and schedules of revenue and expenditures and changes in fund balances show the revenue and expenditures in each fund.

c) Accrual Accounting

The University follows the accrual basis of accounting as recommended by CAUBO. Revenue is recorded when received or receivable and expenditures when goods or services are received. Employee vacation pay entitlements are not accrued.

d) Appropriations

Appropriations are established for future expenditures of a specific or major nature and to make provision for certain unexpended allocations. Provision has been made in the General Operating Fund for the costs of approved early retirements and buy-outs.

e) Inventories

Inventories of supplies are stated at cost. Inventories of merchandise held for resale are stated at the lower of cost and net realizable value.

f) Land, Building and Equipment

Construction costs for buildings and other facilities, including original equipment and furniture, major renovation costs and new equipment funded under the Educational Institution Capital Finance Act are capitalized in the Capital Fund. Other equipment and furniture are expensed as the costs are incurred in the various funds.

In accordance with CAUBO guidelines capital items expensed in all funds have been recorded at cost on the Balance Sheet with offsetting credits to the equity account. The balance as at March 31, 1985 includes items expensed during 1984/85 and the seven preceding years. The March 31, 1984 balance has been adjusted accordingly.

The University is a member of the Western Canadian Universities Marine Biological Society (WCUMBS) which operates a research facility at Bamfield, British Columbia. Contributions in the amount of \$347,000 to WCUMBS for capital acquisitions are recorded as plant assets on the Balance Sheet. No other amounts pertaining to WCUMBS are included.

No provision is made for depreciation of buildings and equipment.

g) Capital Transactions

Certain capital fund expenditures are financed under borrowing authority granted by the Province of British Columbia. These authorized borrowings are shown under "Revenue and Other Additions" in Statement 2. Payments for capitalized assets and repayment of debt are shown under "Expenditures and Other Deductions".

Acquisition costs are added and borrowings are deducted from the Equity in Plant Assets account in Statement 5. Sinking fund deposits and interest earnings are added thereto.

h) Change in Accounting Policy

In previous years equipment expenses in the various funds and library acquisitions in excess of base level were not recorded as assets. In order to conform with CAUBO guidelines these expenditures are now capitalized on the Balance Sheet as well as being expensed in the individual funds. The offset is recorded in the Equity in Plant Assets account. Equipment items are retained on the Balance Sheet for eight years and then deleted; library holdings are reduced in the year items are removed from the collection. These changes are disclosed in Statement 5.

2) Bank Loans and Accounts Payable

Demand notes totalling \$2,194,000 are payable to the Bank of Nova Scotia at the prime interest rate. They represent interim financing for capital construction projects as authorized by the provisions of the Educational Institution Capital Finance Act. Bank loans are retired from the proceeds of long term debt issued under the authority of the Act.

Accounts payable and receivable include accrued interest in the amount of \$1,654,000 (1984-\$955,000) on short and long term borrowings.

3) Long Term DebtA. Canada Mortgage & Housing Corporation

Maturity Date	Interest Rate	Balance Outstanding		Annual Payment
		Mar 31/85	Mar 31/84	Including Interest
(thousands of dollars)				
Jan 1, 2017	5.375%	\$ 188	\$ 191	\$ 12
Jan 2, 2018	5.875%	942	951	65
Jul 1, 2019	6.875%	2,242	2,258	171
Total		\$3,372	\$3,400	\$248

The debentures are secured by a floating charge on the student residences.

## B. Capital Financing Authority

Maturity Date	Interest Rate	Face Value	Sinking Fund Balance	Balance Outstanding Mar 31/85	Mar 31/84	Annual Payments
(thousands of dollars)						
Dec 1, 1986	16.875%	\$ 292	\$ 74	\$ 218	\$ 249	\$ 76
Jul 6, 1991	13.50	458		458		113
Jun 9, 1998	9.41	2,000	502	1,498	1,592	237
Jan 10, 1999	9.82	2,000	428	1,572	1,661	245
Mar 9, 1999	10.16	3,700	746	2,954	3,110	466
Apr 10, 1999	10.26	800	163	637	671	102
Nov 9, 1999	10.68	3,700	615	3,085	3,233	485
Mar 10, 2000	12.74	2,000	332	1,668	1,746	304
Sep 10, 2000	12.55	2,100	275	1,825	1,903	315
Mar 10, 2001	13.13	210	26	184	192	33
Apr 10, 2001	13.66	2,500	206	2,294	2,370	396
May 8, 2001	13.69	2,280	186	2,094	2,163	362
Jul 10, 2001	14.81	1,880	150	1,730	1,785	320
Oct 1, 2001	17.00	1,000	78	922	951	192
Mar 10, 2002	16.10	1,756	130	1,626	1,674	321
May 10, 2002	15.25	1,980	102	1,878	1,932	345
Jun 10, 2002	14.96	1,000	51	949	976	171
Aug 10, 2002	16.53	1,400	70	1,330	1,367	262
Oct 8, 2002	14.16	2,000	98	1,902	1,954	327
Nov 10, 2002	13.43	1,607	78	1,529	1,570	251
Dec 10, 2002	12.01	1,000	48	952	977	142
Apr 5, 2003	11.59	2,000	50	1,950	2,000	276
May 2, 2003	11.53	2,545	63	2,482	2,545	349
Aug 2, 2003	11.53	1,000	24	976	1,000	137
Dec 1, 2003	11.79	1,000	23	977	1,000	140
Mar 1, 2004	12.13	2,099	46	2,053	2,099	300
Apr 2, 2004	12.60	1,000		1,000		148
Total (Statement 1)		\$45,307	\$4,564	\$40,743	\$40,720	\$6,815

Annual payments consist of interest and sinking fund payments which are financed by the Province of British Columbia. Payments made in 1984/85 totalled \$6,617,000 (1983/84 \$5,668,000). The payments to the sinking fund are based on the discounted present values required to fund fully the repayment of the debt by respective maturity dates. The sinking fund balance consists of total sinking fund installments to March 31, 1985 plus interest earned thereon. Sinking fund payments made during 1984/85 amounted to \$1,015,000 (1983/84 \$825,000). Earned interest thereon recorded for 1984/85 is \$420,000 (1983/84 \$251,000).

The long term debt includes \$193,000 repayable in U.S. funds. This amount was recorded at the Canadian equivalent as at the date of receipt and is currently shown at \$218,000 Canadian. If this amount were based on the exchange rate prevailing on March 31, 1985, the Canadian equivalent would be \$267,000.

#### 4) Commitments - Capital Fund

Total commitments under contracts for capital projects amount to \$213,000 as at March 31, 1985 (March 31, 1984 \$85,000).

#### 5) Pension Plans

The University has two non-contributory pension plans. The administrative plan provides benefits based on years of service and the average of the best 5 years basic salary. Based on the actuarial determinations as at January 1, 1983, the plan is on a sound actuarial basis. The academic plan generally provides benefits on a money purchase basis but includes an option available to members who were in the plan at March 20, 1973 to choose benefits based on years of service and the average of the best 5 years basic salary. The actuarial liability resulting from the plan amendments of January 1, 1981 has been recognized by a pension reserve fund which is increased each year by application of the valuation rate of interest (9%) assumed by the fund actuary. The reserve has been increased from \$2,358,000 at March 31, 1984 to \$2,570,000 as at March 31, 1985.

Pension contributions, including government pension plan, in the amount of \$4,513,000 were charged to the General Operating Fund in 1984/85. (\$4,633,000 in 1983/84).

#### 6) Group Life and Disability Insurance Policies

From 1971 to April 30, 1984, the University of British Columbia, Simon Fraser University and the University of Victoria participated in a joint committee (FRIBCO) to administer the reserve funds relating to the universities' group life and disability insurance policies. After the termination of the arrangement, Simon Fraser University received \$888,000 from FRIBCO as its share of funds accumulated to meet liabilities to employees under the benefit plans. Of this amount, \$879,000 is shown under "accounts payable and accrued liabilities" on the Balance Sheet.

#### 7) Restatement of Comparative Figures

Certain 1984 figures in the financial statements have been restated in order to conform with the financial statement presentation adopted in 1985.

The reporting of funds has been changed to identify Ancillary Enterprises and Sponsored Research as separate funds. The March 31, 1984 fund balances for Operating and Specific Purpose have been adjusted accordingly.



## SIMON FRASER UNIVERSITY

Schedule 1

Schedule of General Operating Expenditures  
For the Year Ended March 31, 1985

(thousands of dollars)

	Academic	Library	Student Services and Awards	Plant and Maintenance	Computing Centre	Administration and General	Total Expenditures 1985	Total Expenditures 1984
<b>EXPENDITURES</b>								
Salaries	\$ 26,171						\$ 26,171	\$ 26,333
Academic ranks	3,916						3,916	3,883
Other instruction and research	6,977						6,977	7,000
Other support staff	37,064	\$ 3,042	\$ 2,640	\$ 2,279	\$ 2,456	\$ 4,756	52,237	53,044
Total salaries	4,469	3,042	2,640	2,279	2,456	4,756	22,150	22,876
Employee benefits	819	403	297	324	330	704	6,527	6,517
Travel and personnel costs	2,465	223	224	13	45	324	1,436	1,376
Operating supplies and expenses	229	9	392	1,055	831	704	5,670	5,810
Equipment and furnishings	404	82	24	2	3	21	288	337
Equipment and facility rentals		1,672	16	8	1,381	77	1,968	1,787
Library acquisitions	351	22	35	1,906	23	89	1,672	1,553
Scholarships, fellowships, and bursaries			2,200	1,496			2,426	2,284
Contract services	72	102	22	70	1	5	2,200	1,854
Professional fees	78	8	20	125	65	427	1,603	1,655
Renovations and alterations	2,561	296	79	77	(4,621)	79	592	755
Internal cost allocations	(30)	(162)	(559)	(477)	(682)	1,607	375	468
External cost recoveries						(311)	(1)	(2)
							(2,221)	(2,250)
<b>Total</b>	\$ 48,482	\$ 5,708	\$ 5,390	\$ 6,878	\$ (168)	\$ 8,482	\$ 74,772	\$ 75,188

Prepared without audit

Schedule 2

S I M O N F R A S E R U N I V E R S I T Y  
Schedule of Revenue and Expenditures and Changes in Specific Purpose Fund  
For the Year Ended March 31, 1985  
(thousands of dollars)

	Scholarships and Bursaries	Other Grants & Programs	Total 1985	Total 1984
<b>REVENUE AND OTHER ADDITIONS</b>				
Government grants and contracts - provincial	\$158	\$1,615	\$1,773	\$1,629
- federal		840	840	188
- other	46	8	54	43
Student fees - credit courses		653	653	512
- non credit courses		4	4	37
Gifts, grants and bequests	257	149	406	383
Investment income	389	57	446	350
Miscellaneous income		82	82	10
Interfund transfers in		671	671	530
	850	4,079	4,929	3,682
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>				
Salaries - Academic ranks (Faculty)		738	738	330
- other instruction and research		447	447	135
- other support staff		1,225	1,225	1,043
Total salaries		2,410	2,410	1,508
Employee benefits		165	165	108
Travel and personnel costs		258	258	284
Operating supplies and expenses		709	709	586
Equipment and furnishings		364	364	395
Equipment and facility rentals		12	12	15
Library acquisitions		21	21	36
Utilities		22	22	14
Scholarships, fellowships, and bursaries	632	13	645	448
Professional fees		145	145	79
Renovations and alterations		8	8	2
Internal cost allocations		1	1	2
External cost recoveries		(166)	(166)	(51)
Interfund transfers out	109	45	154	322
Net transfer to non-expendable fund	58		58	39
	799	4,007	4,806	3,787
Net Increase (Decrease) during year	51	72	123	(105)
Fund balance at beginning of year	388	1,620	2,008	2,113
Fund balance at end of year	\$439	\$1,692	\$2,131	\$2,008

Prepared without audit

Schedule 3

S I M O N F R A S E R U N I V E R S I T Y  
Schedule of Revenue and Expenditures and Changes in Ancillary Enterprises Fund  
For the Year Ended March 31, 1985  
(thousands of dollars)

	Bookstore	Residences	Total 1985	Total 1984
<u>REVENUE</u>				
Sales of services and products	\$2,448	\$1,239	\$3,687	\$3,587
<u>EXPENDITURES</u>				
Salaries	343	139	482	491
Employee benefits	33	14	47	56
Travel and other personnel costs	1	7	8	17
Expendable supplies	35	41	76	59
Equipment and furnishings	10	3	13	6
Equipment rentals				3
Utilities	12	184	196	181
Contract services	17	164	181	183
Professional fees	4	1	5	
Renovations and alterations		167	167	205
Debt servicing - interest	87	221	308	303
- principal		27	27	25
Cost of goods sold	2,062		2,062	1,939
External cost recoveries		(14)	(14)	(14)
	2,604	954	3,558	3,454
<u>APPROPRIATIONS</u>				
Appropriations released from prior year		10	10	12
New appropriations		(275)	(275)	(99)
		(265)	(265)	(87)
Net increase (decrease) during year	(156)	20	(136)	46
Fund balance at beginning of year	27	42	69	23
Fund balance at end of year	\$(129)	\$62	\$(67)	\$69

Prepared without audit

UNIVERSITIES COUNCIL

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**Morgan &  
Company**

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**Chartered Accountants**

1210 - 675 West Hastings Street  
Vancouver, B.C. V6B 1N2  
Telephone (604) 687-5841

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AUDITORS' REPORT

The Members

Universities Council

We have examined the statement of financial position of the Universities Council as at March 31, 1985 and the statement of changes in operating fund balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Council as at March 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada

June 7, 1985



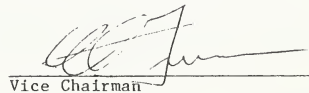
Chartered Accountants

UNIVERSITIES COUNCIL  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
ASSETS		
Cash	\$ 16,335	\$ 17,065
Short term deposits	130,000	190,000
Accrued interest receivable		1,225
Account receivable	17	1,360
Furniture and equipment (Note 1)	<u>146,352</u>	<u>209,680</u>
Funds held for external organizations and others (Note 3)	<u>96,128</u>	<u>136,370</u>
	<u>\$242,480</u>	<u>\$346,050</u>
LIABILITIES		
Accounts payable	\$ 21,829	\$ 26,252
Unexpended funds held for external organizations and others (Note 3)	<u>96,128</u>	<u>136,370</u>
UNEXPENDED OPERATING FUNDS		
Fund balances:		
Unappropriated	18,692	42,683
Appropriated	<u>105,831</u>	<u>140,745</u>
	<u>124,523</u>	<u>183,428</u>
	<u>\$242,480</u>	<u>\$346,050</u>

Approved by:

  
Chairman

  
Vice Chairman

UNIVERSITIES COUNCIL  
STATEMENT OF CHANGES IN OPERATING FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
REVENUE		
Grant - Province of British Columbia	\$530,700	\$566,000
Interest earned	15,617	22,174
Other income		<u>28</u>
	<u>546,317</u>	<u>588,202</u>
EXPENDITURE		
Recurring		
Members' per diems	63,850	75,000
Employees' remuneration	251,599	271,800
Employee benefits	35,429	41,199
Travel, meetings and conferences	45,474	51,503
Administrative, office and library	48,838	57,201
Space rental, Vancouver and Victoria	<u>80,306</u>	<u>73,468</u>
	<u>525,496</u>	<u>570,171</u>
Non-recurring		
Fees - independent consultants	9,863	34,494
Grants and subsidies	25,010	17,000
Furniture and equipment (Note 1)	4,853	
One time payment - continuing staff	<u>5,086</u>	
	<u>44,812</u>	<u>51,494</u>
	<u>570,308</u>	<u>621,665</u>
CHANGE IN YEAR	(23,991)	(33,463)
Deduct: appropriation for year		197,000
UNAPPROPRIATED FUND BALANCE, beginning of year	<u>42,683</u>	<u>273,146</u>
UNAPPROPRIATED FUND BALANCE, end of year	<u>\$ 18,692</u>	<u>\$ 42,683</u>
APPROPRIATED FUND BALANCE, beginning of year	\$140,745	
Appropriation established		\$197,000
Expenditure - Strategic Planning Project	<u>34,914</u>	<u>56,225</u>
APPROPRIATED FUND BALANCE, end of year	<u>\$105,831</u>	<u>\$140,745</u>

UNIVERSITIES COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1985

1. ACCOUNTING POLICY

Office furniture and equipment purchases are charged to expenditures when acquired. The cumulative cost of office furniture and equipment charged to expenditures since November 1, 1978 amounts to \$54,118 (1984: \$49,265).

2. INCOME TAXES

The Universities Council is an agent of the Crown in right of the Province of British Columbia. As such no income taxes are payable.

3. FUNDS HELD FOR EXTERNAL ORGANIZATIONS AND OTHERS

The Universities Council acts as recipient and disbursing agent of grant funding provided by the Ministry of Universities, Science and Communications for certain external organizations and for designated projects or activities.

4. COMMITMENT

The Universities Council has leased realty at an annual cost of approximately \$75,000 to September 30, 1989.

5. STATEMENT OF CHANGES IN FINANCIAL POSITION

A Statement of Changes in Financial Position has not been prepared as its inclusion with these financial statements would not be meaningful.

## UNIVERSITY OF BRITISH COLUMBIA



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

## AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of  
The University of British Columbia, and

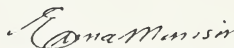
To the Minister of Universities, Science and Communications  
Province of British Columbia:

I have examined the balance sheet of the University of British  
Columbia as at 31 March 1985 and the following statements for the  
year then ended:

- Statement 2 - Statement of changes in appropriated fund  
balances
- Statement 3 - Statement of changes in unappropriated fund  
balances
- Statement 4 - Statement of changes in specific purposes  
fund balance
- Statement 5 - Statement of changes in sponsored research  
funds balance
- Statement 6 - Statement of changes in ancillary enterprises  
fund balance
- Statement 7 - Statement of changes in capital fund balance
- Statement 8 - Statement of changes in student loan and  
endowment principal fund balances
- Statement 9 - Statement of equity in plant assets

My examination was made in accordance with generally accepted  
auditing standards, and accordingly included such tests and other  
procedures as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial  
position of the University as at 31 March 1985 and the results of its  
operations and changes in fund balances for the year then ended in  
accordance with accounting principles described in note 1 to the  
financial statements, applied, after giving retroactive effect to the  
changes regarding plant assets and long term investment income  
described in note 2 to the financial statements, on a basis  
consistent with that of the preceding year.

  
Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
18 June 1985



THE UNIVERSITY OF BRITISH COLUMBIA

BALANCE SHEET

AS AT MARCH 31, 1985

(thousands of dollars)

STATEMENT 1

ASSETS

LIABILITIES AND FUND BALANCES

	1985	1984		1985	1984
Cash and bank deposit notes	\$ 42,846	\$ 29,796	Accounts payable and accrued liabilities	\$ 26,251	\$ 26,093
Investments at cost - (Note 1(i))	81,337	86,350	Deferred income - fees and services	1,527	1,548
(market value \$83,001 - 1984 \$86,088)			Group Life/Disability Insurance Reserve - (Note 8)	5,392	-
Accounts receivable	25,018	19,469	Bank loans and Promissory Notes - (Note 4)	19,139	14,398
Student loans receivable	523	440	Long-term debt - (Note 4)	\$129,495	112,806
Inventories	5,645	4,991	Less sinking fund	11,135	
Joint Venture Interest in Western Canadian				170,669	152,845
Universities Marine Biological Station	889	851	Fund balances:		
Investment in teaching facilities at			Expendable		
associated hospitals	\$11,358	9,793	Appropriated (Statement 2)	1,898	259
Less amortization	1,565		Accumulated depreciation	339	1,520
			Ancillary enterprises	4,233	5,552
			Capital	6,490	7,331
Plant assets at cost (Statement 9)			Unappropriated (Statement 3)		
Land and site improvements	29,221	28,361	General purpose operating	14	1,074
Buildings	353,889	332,043	Specific purposes	17,202	15,808
Equipment and furnishings	91,793	83,124	Sponsored research	17,753	14,887
			Ancillary enterprises	625	1,111
			Capital	2,641	1,195
				38,235	34,075
			Non-Expendable (Statement 8)		
	\$640,954	\$595,544	Student loan	1,342	1,342
			Endowment Principal	78,519	74,186
				79,861	75,528
			Equity in joint venture	889	851
			Equity in plant assets (Statement 9)	344,810	324,909
				\$640,954	\$595,544

Approved

*Don Egan*

D.G.A. McLean  
Chairman, Board of Governors

*Arthur G. G. G.*

Vice President - Administration & Finance

(See accompanying notes to the financial statements)

Balance Sheet

THE UNIVERSITY OF BRITISH COLUMBIA  
STATEMENT OF CHANGES IN APPROPRIATED FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 1985

STATEMENT 2

(thousands of dollars)

	<u>General Purpose Operating</u>		<u>Ancillary Enterprises</u>		<u>Capital</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
Balance, beginning of year	\$ 259	\$ 2,501	\$ 1,520	\$ -	\$ 5,552	\$ 5,282
Deduct:						
Expended from prior years' appropriations (Statement 3)	<u>259</u>	<u>2,501</u>	<u>1,520</u>	<u>-</u>	<u>5,552</u>	<u>5,282</u>
	-	-	-	-	-	-
Add:						
Appropriations for the year (Statement 3)	<u>1,898</u>	<u>259</u>	<u>359</u>	<u>1,520</u>	<u>4,233</u>	<u>5,552</u>
Balance, end of year	<u>\$ 1,898</u>	<u>\$ 259</u>	<u>\$ 359</u>	<u>\$ 1,520</u>	<u>\$ 4,233</u>	<u>\$ 5,552</u>

Detail of year end balance

Faculties and Department						
- operating expenses	\$ 1,037	\$ 196	\$	\$	\$	\$
Renovation projects	36	63				
Early termination arrangements	362					
Library books and periodicals	463					
Replacement of teaching equipment					470	558
Capital development and facilities			359	1,520	3,763	4,994
	<u>\$ 1,898</u>	<u>\$ 259</u>	<u>\$ 359</u>	<u>\$ 1,520</u>	<u>\$ 4,233</u>	<u>\$ 5,552</u>

(See accompanying notes to the financial statements)

Statement of Changes in Appropriated  
Fund Balances

**THE UNIVERSITY OF BRITISH COLUMBIA**  
**STATEMENT OF CHANGES IN UNAPPORTIONED FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 1985**  
 (Thousands of dollars)

STATEMENT 3

	General Report Deductions	Specific Deductions	Sponsored Research	Ancillary Expenditures	Capital Expenditures	Totale
	1985	1985	1985	1985	1985	1985
<b>Revenue and other additions:</b>						
Government grants and contracts						
Government of Canada	\$ 200	\$ 2,037	\$ 43,925	\$	\$ 4	\$ 46,166
Province of British Columbia	171,678	4,178	4,840		21,393	198,033
Private Foundations	180,713					202,089
Municipalities	2,345	8	20			2,345
Other governments		20	40			38
Foreign governments		44				44
Scholarships	36,558	30,706	1,349			38,613
Bequests, donations and non government grants		4,756	12,730		6,880	24,366
Sales and services	492	457	12,192	28,891		41,542
Income from investments	3,122	9,885		57	740	13,795
Loans					8,475	8,475
	214,395	211,288	63,096	29,193	37,492	365,464
						344,734
<b>Expense and other deductions:</b>						
Salaries	94,382	3,955	11,153			109,490
- Student service	4,942	1,118	18			13,831
- Staff	63,167	63,307	15,088	8,078	349	87,682
Benefits	182,492	186,342	32,162	733		221,597
Travel	19,471	19,558	1,927			21,400
Library acquisitions	4,157	4,086	3,328			7,142
Operational supplies and expense	13,983	15,668	10,660	2,615	612	26,878
Furniture and equipment	3,388	2,145	8,260	277	822	12,452
Renovations and alterations	2,536	1,812	411	1,050	19	4,818
Scholarships, fellowships and bursaries	3,002	2,831	739	1,931	1,315	8,660
Professional fees	1,080	625	939			2,644
- Professional fees					1,148	1,148
- Professional fees - hold					11,688	11,688
Debt servicing				2,761		2,761
Building contracts						
Internal cost recoveries	( 1,007)	( 828)	958			14,785
External cost recoveries	( 4,702)	( 4,660)	( 128)			17,346
	213,816	217,032	60,210	29,133	40,372	361,774
					( 2,880)	3,690
Change in year	579	( 1,680)	2,877	60		( 6,274)
Add:						
Expended from prior years' appropriations						
(Statement 2)	259	2,501		1,520	5,552	7,331
Appropriations for the year (Statement 2)	1,898	259		359	4,232	6,490
Net change for the year	( 1,060)	562	2,877	1,221	( 1,561)	4,531
Interfund transfers	1,074	512	14,887	1,111	1,195	34,075
			( 11)	( 3,007)	( 371)	( 13,582)
Fund balance, end of year	\$ 14	\$ 1,074	\$ 17,753	\$ 625	\$ 2,641	\$ 38,235
						\$ 34,075

(Statement 1) (Statement 1)

Statement of Changes in Unappropriated  
Fund Balances

(See accompanying notes to the financial statements)

THE UNIVERSITY OF BRITISH COLUMBIA  
STATEMENT OF CHANGES IN SPECIFIC PURPOSES FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 1985

STATEMENT 4

(thousands of dollars)

	Trust	Endowment	Total	
			1985	1984
Revenue and other additions:				
Government of Canada	\$ 2,037	\$	\$ 2,037	\$ 1,143
Province of British Columbia	4,178		4,178	3,908
Municipalities	8		8	7
Other governments	20		20	165
Foreign governments	44		44	427
Student fees				127
Individuals	798		798	926
Business and industry	577		577	654
Foundations and associations	3,381		3,381	3,175
Sales and services	960		960	903
Income from investments	114	9,171	9,285	8,022
	<u>12,117</u>	<u>9,171</u>	<u>21,288</u>	<u>19,457</u>
Expenses and other deductions:				
Salaries - Academic	3,165	790	3,955	3,566
- Student service	1,934	26	1,960	1,981
- Staff	2,287	80	2,367	2,705
	<u>7,386</u>	<u>896</u>	<u>8,282</u>	<u>8,252</u>
Benefits	419	25	444	461
Travel, field trips, moving	1,147	122	1,269	1,234
Library acquisitions	230	41	271	1,023
Operational supplies and expenses	2,485	639	3,124	2,079
Furniture and equipment	2,072	79	2,151	766
Utilities	83	4	87	87
Renovations and alterations	127	3	130	171
Scholarships, fellowships and bursaries	2,070	1,555	3,625	2,421
Professional fees	245		245	134
Internal cost recovery - overhead	49		49	135
External cost recoveries	( 1,443)		( 1,443)	( 1,321)
	<u>14,870</u>	<u>3,364</u>	<u>18,234</u>	<u>15,442</u>
Change in year	( 2,753)	5,807	3,054	4,015
Fund balance, beginning of year	11,354	4,454	15,808	25,340
Interfund transfers	1,235	( 2,895)	( 1,660)	( 13,547)
Fund balance, end of year	<u>\$ 9,836</u>	<u>\$ 7,366</u>	<u>\$17,202</u>	<u>\$15,808</u>

(Statement 3) (Statement 3)

(See accompanying notes to the financial statements)

Statement of Changes in Specific Purposes  
Fund Balance

THE UNIVERSITY OF BRITISH COLUMBIA  
STATEMENT OF CHANGES IN SPONSORED RESEARCH FUNDS BALANCE  
FOR THE YEAR ENDED MARCH 31, 1985  
(thousands of dollars)

STATEMENT 5

	<u>1985</u>		<u>1984</u>	
Revenue and other additions:				
Government of Canada				
Natural Science and Engineering				
Research Council	\$21,207		\$17,880	
Medical Research Council	12,853		11,099	
Social Sciences and Humanities				
Research Council	2,032		1,794	
Health & Welfare Canada	1,363		1,129	
Other departments	6,470	\$43,925	5,392	\$37,294
Province of British Columbia				
Health Care Research Foundation	2,854		2,874	
Science Council	963		1,637	
Other departments	1,023	4,840	965	5,476
Municipalities		20		31
Other Provincial governments		40		24
United States government and agencies		1,323		1,198
Foreign governments		26		20
Individuals		170		307
Business and industry		3,110		2,034
Associations, clubs and societies		5,342		4,991
Foundations		4,108		3,293
Miscellaneous services		192		238
		<u>63,096</u>		<u>54,906</u>
Expenses and other deductions:				
Salaries - Academic	11,153		8,844	
- Student service	6,928		5,960	
- Staff	14,081	32,162	13,346	28,150
Benefits		1,927		1,695
Travel, field trips, moving		3,538		3,206
Library acquisitions		342		341
Operational supplies and expenses		10,660		9,367
Furniture and equipment		8,260		6,698
Utilities		411		319
Renovations and alterations		411		50
Scholarships, fellowships and bursaries		739		674
Professional fees		939		386
Internal cost recovery - overhead		958		693
External cost recoveries		( 128 )		( 111 )
		<u>60,219</u>		<u>51,468</u>
Change in year		2,877		3,438
Fund balance, beginning of year		14,887		11,449
Interfund transfers		( 11 )		-
Fund balance, end of year		<u>\$17,753</u>		<u>\$14,887</u>
		(Statement 3)		(Statement 3)

(See accompanying notes to the financial statements)

Statement of Changes in Sponsored  
Research Funds Balance

STATEMENT 6

THE UNIVERSITY OF BRITISH COLUMBIA  
STATEMENT OF CHANGES IN ANCILLARY ENTERPRISES FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 1985

(thousands of dollars)

	<u>Revenues</u>	<u>Food Services</u> <u>Campus</u>	<u>Residences</u>	<u>Student Housing and Conferences</u> <u>Centre</u>	<u>Family</u>	<u>University Farm</u> <u>Oyster River</u>	<u>Health</u> <u>Sciences</u> <u>Farmstead</u>	<u>Total</u> <u>1985</u> <u>1984</u>
<u>Revenues:</u>								
Sales and services	\$11,045	\$ 5,349	\$ 3,144	\$ 6,835	\$ 1,437	\$ 775	\$ 306	\$28,891
Income from investments	-	28	50	157	-	10	-	245
Loans	57	-	-	-	-	-	-	57
	<u>11,102</u>	<u>5,377</u>	<u>3,194</u>	<u>6,992</u>	<u>1,437</u>	<u>785</u>	<u>306</u>	<u>29,193</u>
								<u>28,867</u>
<u>Expenses:</u>								
Cost of goods sold	8,276	1,824	1,588	-	-	-	-	11,688
Salaries - staff	1,791	2,484	1,117	2,134	148	311	93	8,078
Benefits	188	240	92	162	8	33	10	733
Operational supplies and expenses	284	386	171	1,169	355	218	20	2,603
Furniture and equipment	9	131	10	69	7	49	2	277
Utilities	56	2	66	647	219	27	33	1,050
Renovations and alterations	-	120	98	1,126	300	268	19	1,931
Debt servicing	760	155	246	1,191	280	-	129	2,761
Contributions from general purposes	-	-	-	-	-	12	-	12
	<u>11,364</u>	<u>5,242</u>	<u>3,286</u>	<u>6,498</u>	<u>1,317</u>	<u>918</u>	<u>306</u>	<u>29,133</u>
								<u>28,030</u>
Change in year	( 262)	35	( 194)	494	120	( 133)	-	60
Add:								
Expended from prior year's appropriations	-	-	-	1,431	-	89	-	1,520
(Statement 2)								
Deduct:								
Appropriations for the year (Statement 2)	-	<u>13</u>	<u>346</u>	<u>346</u>	-	-	-	<u>359</u>
Net change for the year	( 262)	( 172)	1,699	1,699	( 44)	-	-	1,221
Fund balance, beginning of year	( 622)	525	1,208	1,208	-	-	-	1,111
Interfund transfers	-	-	-	(1,707)	-	-	-	( 1,707)
Fund balance, end of year	(\$ 884)	\$ 353	\$ 353	\$ 1,200	(\$ 44)	(\$ 44)	\$ -	\$ 625
								<u>\$ 1,111</u>

(See accompanying notes to the Financial Statements.)

(Statement 3) (Statement 3)

Statement of Changes in Ancillary Enterprises  
Fund Balance

THE UNIVERSITY OF BRITISH COLUMBIA  
STATEMENT OF CHANGES IN CAPITAL FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 1985  
(thousands of dollars)

STATEMENT 7

	<u>1985</u>	<u>1984</u>
Revenue and other additions:		
Government of Canada	\$ 4	\$ 1,054
Province of British Columbia		
Debt servicing	\$14,665	\$13,534
Financing Authority projects	5,978	7,908
Capital grants	<u>750</u>	<u>750</u>
Individuals	21,393	22,192
Business and industry	346	92
Foundations and associations	41	78
Income from investments	6,493	1,437
Loans	740	714
	<u>8,475</u>	<u>605</u>
	<u>37,492</u>	<u>26,172</u>
Expenses and other deductions:		
Salaries - staff	349	371
Benefits	22	40
Travel, field trips, moving	11	4
Library acquisitions	-	9
Operational supplies and expenses	612	1,656
Furniture and equipment	822	2,233
Utilities	19	3
Renovations and alterations	1,315	392
Professional fees	1,148	1,702
Debt servicing	14,785	13,534
Building contracts	<u>21,289</u>	<u>8,497</u>
	<u>40,372</u>	<u>28,441</u>
Change in year	( 2,880)	( 2,269)
Add:		
Expended from prior year's appropriations (Statement 2)	5,552	5,282
Deduct:		
Appropriations for the year (Statement 2)	<u>4,233</u>	<u>5,552</u>
Net change for the year	( 1,561)	( 2,539)
Fund balance, beginning of year	1,195	3,391
Interfund transfers	<u>3,007</u>	<u>343</u>
Fund balance, end of year	<u>\$ 2,641</u>	<u>\$ 1,195</u>
	(Statement 3)	(Statement 3)

(See accompanying notes to the financial statements)

Statement of Changes in Capital  
Fund Balance

THE UNIVERSITY OF BRITISH COLUMBIASTATEMENT OF CHANGES IN STUDENT LOAN AND ENDOWMENT PRINCIPAL FUND BALANCESFOR THE YEAR ENDED MARCH 31, 1985

STATEMENT 8

(thousands of dollars)

	Student Loan	Endowment Principal	Total	
			<u>1985</u>	<u>1984</u>
Revenue and other additions:				
Gifts and bequests	\$	\$ 1,919	\$ 1,919	\$ 2,784
Interest on loans	7		7	5
Investment interest	33		33	42
Gain on sale of investments	<u>40</u>	<u>2,003</u>	<u>2,003</u>	<u>1,522</u>
		3,922	3,962	4,353
Expenses and other deductions:				
Loans written off	<u>5</u>		<u>5</u>	<u>6</u>
Change in year	35	3,922	3,957	4,347
Fund balance, beginning of year	1,347	74,186	75,533	57,639
Interfund transfers	( <u>40</u> )	<u>411</u>	<u>371</u>	<u>13,547</u>
Fund balance, end of year	<u>\$ 1,342</u>	<u>\$78,519</u>	<u>\$79,861</u>	<u>\$ 75,533</u>

(Statement 1) (Statement 1)

(See accompanying notes to the financial statements)

Statement of Changes in Student Loan and  
Endowment Principal Fund Balances



STATEMENT 9

THE UNIVERSITY OF BRITISH COLUMBIA  
STATEMENT OF EQUITY IN PLANT ASSETS  
FOR THE YEAR ENDED MARCH 31, 1985

(thousands of dollars)

	Plant Assets	Auxiliary Enterprises	Financed by: Capital Borrowings	Temporary Gain Resources	1985	1984
Balance, beginning of year as originally reported	\$375,037	(\$ 27,667)	(\$ 90,952)	(\$ - )	\$256,418	\$249,464
Accounting change - (Note 2)	68,452	-	-	-	68,452	61,824
Balance, beginning of year as restated	443,528	( 27,667)	( 90,952)	( - )	324,909	311,288
Add:						
Capital funds expenditures (Statement 7)	40,372				40,372	28,441
Equipment	14,016				14,016	10,181
Projects advanced from cash	374				374	
Canada Mortgage & Housing Corp. - Principal repayment		172			172	162
British Columbia Educational Institutions Capital Financing Authority Sinking Fund - Interest earned			1,073		1,073	622
Principal repayment:	498,290	( 27,495)	( 87,488)	( - )	383,307	352,821
Deduct:						
Renovation and other amounts not capitalized	2,306				2,306	1,492
Debt servicing (Statement 7)	14,785				14,785	13,534
Sinking fund increase related to teaching facilities at associated hospitals			426		426	353
Equipment write off	6,286				6,286	4,386
Net increase in borrowings	-	8,322	( 5,978)	374	24,684	8,147
	23,387	8,322	6,406	374	38,489	27,912
Balance, end of year	\$ 29,221	(\$ 35,827)	(\$ 93,892)	(\$ 374)	\$34,810	\$324,909
Land and site improvements	353,889					
Buildings	52,723					
Equipment and furnishings	91,793					

(Statement 1)

(See accompanying notes to the financial statements.)

(Statement 1) (Statement 1)

(Statement 1)

(Statement 1) (Statement 1)

(See accompanying notes to the financial statements)

Statement of Equity in Plant Assets

THE UNIVERSITY OF BRITISH COLUMBIANOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 1985NOTE 1 SIGNIFICANT ACCOUNTING POLICIES(a) Library Acquisitions

Library books and periodicals are expensed in the year of acquisition.

(b) Fund Accounting

Transactions of the University are accounted for by fund accounting procedures in order to recognize various restrictions imposed on the use of available resources. Under these procedures, revenues and their related expenses are accounted for in separate funds in accordance with objectives specified by donors, limitations and restrictions imposed by sources outside the University, and determinations made by the Board of Governors.

For financial statement reporting purposes the Balance Sheet combines the assets and liabilities of all funds. These funds are either expendable or non-expendable. An expendable fund is one that may be used in its entirety within the restrictions established by the donor or agency providing the funds. A non-expendable fund is one in which at least the original fund balance cannot be expended.

The statements of changes in fund balances show the total income and expenses of the University, after elimination of inter-fund transactions. The University has classified accounts with similar characteristics into major funds as follows:

- the General Purpose Operating Fund consists of those revenues and expenses used in the general operations of the University.
- the Specific Purposes Fund consists of those revenues and expenses used for projects stipulated by the donors and includes income earned on the Endowment Principal Fund.

- the Sponsored Research Fund consists of funds specifically identified for research or related activities as approved by government granting agencies, research institutes and other public and private organizations.

- Ancillary Enterprises provide goods and services to the University community and are expected to operate on a break-even basis. Any deficits must be recovered from future operations and unexpended balances are carried forward for replacement and upgrading of facilities in these ancillary operations. These enterprises are assessed most overhead costs associated with their operations including payments of principal and interest on all long-term debt. Capital additions for these operations are recorded in the statement of changes in capital fund balances in the year in which they are incurred and are included as capital assets, at cost, on the balance sheet.

- the Capital Fund consists of gifts, grants, interest and authorized capital borrowing received for the purpose of acquiring capital assets including those pertaining to ancillary enterprises. These funds may also be used for major renovations, alterations and capital project administrative costs.

- the Student Loan Fund consists of gifts and bequests received for the purpose of making loans to students, plus interest earned thereon.

- the Endowment Principal Fund consists of gifts and bequests received with the stipulation that these funds be invested and the income earned be expended for designated purposes.

(c) Accrual Accounting

The University follows the accrual basis of accounting as recommended by Canadian Association of University Business Officers (CAUBO) by recording income when earned and expenses when materials or services are received. Encumbrances, including commitments for goods and services not yet received, are not included in expenses.

(d) Appropriations

The University maintains a general operating budget programme which, subject to annual approval of the Board of Governors, allows faculties to carry forward unexpended funds into the subsequent fiscal year up to a maximum of 1% of the budget allocation for the current year. In addition the University provides appropriations at the fiscal year end for acquisition of plant assets, replacement of equipment and furnishings, renovations, and for outstanding commitments on library acquisitions.

(e) Inventories

Inventories of merchandise held for resale are stated at the lower of cost and net realizable value. Supplies inventories are recorded at cost. Livestock and experimental animals are stated at net realizable value.

(f) Amortization

The investment in teaching facilities at associated hospitals is being amortized by an amount equal to the contribution to the sinking fund to retire the related long-term debt outstanding. The investment represents the funds advanced for capital teaching facilities at associated hospitals, for which the University has no legal ownership.

(g) Plant Assets

Expenditures for the acquisition of plant assets are shown on Statement 3 and supporting Statements 4 to 7 inclusive according to the source of funding from which the expenditures were incurred. All plant assets are then shown on the Balance Sheet at cost. Plant assets that are donated for use in operations are recorded directly on the Balance Sheet at market value at date of acquisition. In accordance with approved university accounting principles, depreciation of buildings and equipment is not recorded. However, equipment is assumed to have an average useful life of eight years and is deleted as a plant asset entirely in the ninth year. The campus land which was Crown-granted to the University in 1910 is recorded at \$1.

(h) Internal Financing

The University follows a practice of making temporary cash advances to operating departments in order to finance the acquisition of certain plant assets over a period of years. As these advances are recovered the appropriate funds are charged and the repayments are recorded as equity in plant assets. Interest is charged to the fund in receipt of the advance based on the yield rate of return on investments held for general purposes. See Note 6.

(i) Investments

Investments relate to the investment of non-expendable endowment principal, student loan, and specific purpose funds. The investments are available for general operating purposes.

Investments are recorded at cost. Gains or losses on sales of investments are recognized in the year of disposal and are included in the non-expendable Endowment Principal Fund balance.

(j) Endowment Principal

The balance of endowment principal on the university's books at March 31, 1985 amounts to \$78,519,876. Annual income earned on this sum is used for a variety of purposes as prescribed by the terms of each endowment. In addition, the Vancouver Foundation has a number of endowment funds totalling \$2,626,175, the income from which is paid to the University for specific purposes. The latter funds are not under the University's ownership or control.

(k) Campus Organizations and Agencies

The financial statements of The University of British Columbia do not include the income or expense of the Health Sciences Centre Hospital, Aquatic Centre, Thunderbird Winter Sports Centre, Faculty Club, Thea Koerner House Graduate Student Centre or Triumph, but buildings and initial contents are included in the balance sheet.

(l) Joint Venture

The University has an operating interest in the Western Canadian Universities Marine Biological Station(WCUMBS) at Bamfield, B.C. This is shown on the Balance Sheet using the equity method of accounting.

NOTE 2 CHANGE IN ACCOUNTING POLICIES

In previous years, most equipment purchases were not treated as plant assets on the Balance Sheet. As well, long-term investment income was recorded on a cash basis. These policies have been retroactively changed. All equipment purchases are included on the Balance Sheet. Also, a correction in capitalizing the costs of the Shaughnessy/Children's/ Grace Research Centre was made to the prior year. The effect of these changes is that the plant assets have increased by \$77,160,000 (1984 \$68,491,000) comprising buildings \$2,175,000 (1984 \$2,175,000) and equipment \$74,985,000 (1984 \$66,316,000). The equity in plant assets is similarly increased by \$77,160,000 (1984 \$68,491,000). Long-term investment income is now recorded on an accrual basis, which has increased the income and fund balance at end of year on Statement 3 by \$2,821,046 (1984 \$2,140,397) and Statement 8 by \$27,608 (1984 \$29,647). The effect on the Balance Sheet is an increase in accounts receivable of \$2,848,654 (1984 \$2,170,044) and an increase in fund balances as follows:

	1985	<u>Increase</u>	1984
General purposes operating	\$ 32,369		\$ 35,890
Specific purposes	2,758,529		2,085,196
Capital	30,148		19,311
	<u>2,821,046</u>		<u>2,140,397</u>
Student Loan	27,608		29,647
	<u>\$2,848,654</u>		<u>\$2,170,044</u>

NOTE 3 INTERFUND TRANSFERS

Interfund transfers comprise the following:

- The Endowment Principal Fund has increased \$411,768 by the transfer from the Specific Purposes Fund of \$1,306,784 unexpended income earned on endowment funds and \$322,267 unexpended donations, the transfer from the Student Loan Fund of \$37,024 less a transfer to the Capital Fund of \$1,254,307.
- The Capital Fund has increased \$3,007,128, representing \$1,707,216 transferred from the Ancillary Enterprises Fund to assist with the financing of the Gage Low Rise and Acadia Park Housing Projects and \$1,254,307 from the Endowment Principal Fund and \$45,605 from unexpended income earned on endowment funds to assist with the financing of the Shaughnessy/Grace/Children's Research Facilities.
- The Specific Purposes Fund-Trust has increased \$1,235,684 due to a transfer from endowment income of \$1,554,858 to cover expenses in the University Development Fund, a transfer of \$3,093 from the Student Loan Fund, less the transfer to Endowment Principal Fund of \$322,267 of unexpended donations.

NOTE 4 BANK LOANS, PROMISSORY NOTES AND LONG-TERM DEBT

		<u>Principal</u>
	<u>1985</u>	<u>1984</u>
<u>Bank Loans &amp; Promissory Notes</u>		
Bank Loans		
Under the University Act	\$ 928,257	\$ 6,971,066
Under the Educational Institution		
Capital Finance Act	<u>6,867,168</u>	<u>7,426,845</u>
	7,795,425	14,397,911
Promissory Notes		
To the Province of British Columbia	<u>11,343,343</u>	-
(Statement 1)	<u>\$ 19,138,768</u>	<u>\$ 14,397,911</u>

Under the terms of the Provincial Treasury Financing Amendment Act (1983) the University received approval to participate in the Province's short-term promissory note (off-lending) program for ancillary capital projects. This approval allowed the University to refinance the Bookstore project from a bank loan, and construct the Walter H. Gage Residence addition and the Fairmont Housing units. These promissory notes will be repaid from funds generated by the respective ancillary units.



	Annual Payments Including Interest 1985/86	1985	<u>Principal</u> 1984
<u>Long-term Debt</u>			
Canada Mortgage and Housing Corporation 5.125% to 7.875%			
due 2012 to 2023 inclusive	\$ 1,517,555	\$ 20,523,292	\$ 20,695,380
British Columbia Educational Institutions Capital Financing Authority 9.410% to 17.510%			
due 1986 to 2004 inclusive	\$17,168,406	107,971,300	99,782,000
Forgiveable loan from Private Donor due 1994	-	<u>1,000,000</u>	<u>-</u>
(Statement 1)		<u>\$129,494,592</u>	<u>\$120,477,380</u>

Under the authority of the Educational Institution Capital Finance Act, the University has financed certain capital facilities of the University and teaching facilities at associated hospitals with bank demand loans. These loans are then refinanced through debentures issued by the University to the British Columbia Educational Institutions Capital Financing Authority (B.C.E.I.C.F.A.). Funds are received from the Province of British Columbia to fully meet the interest and sinking fund payments. The actual payments to the sinking fund held by the B.C.E.I.C.F.A. are based on the discounted present values required to fully fund the repayment of the debentures by their respective maturity dates. These debentures can be recalled by the B.C.E.I.C.F.A. by giving not less than five months notice in writing.

#### NOTE 5 COMMITMENTS

Commitments under capital contracts at March 31, 1985 amounted to \$11,227,256 (1984 - \$9,804,195).

Due to a five percent reduction in the operating grant from the Province of British Columbia in 1984-85, the University reduced its operating budget base. To assist in this exercise, a number of early termination arrangements have been made with staff and involves a commitment of approximately \$3,700,000, extending into 1985-86 and subsequent years, which is presently unfunded. It is the intention of the University to apply to the Province of British Columbia to fund this cost.

NOTE 6 ADVANCES FOR PLANT ASSETS

The University has utilized temporary cash resources to finance the purchase of plant assets as follows:

	<u>April, 1984 Repayment Advances</u>			<u>March 31, 1985</u>
Forestry Container Nursery	\$ -	\$ -	\$ 25,452	\$ 25,452
Tennis Centre	-	-	218,496	218,496
Satellite Communications System	-	-	<u>131,184</u>	<u>131,184</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$375,132</u>	<u>\$375,132</u>

It is anticipated that the total of \$375,132 will be recovered from operating net margins of these activities in future years and will be reflected as equity in plant assets when recovered. In the financial statements the advances and repayments in the year are disclosed in the statement of equity in plant assets (Statement 9).

NOTE 7 PENSION PLANS

The University has two pension plans which are administered by separate trustees/directors. The faculty pension plan provides benefits on a money purchase basis, with a minimum retirement benefit included therein. The staff pension plan benefits are based on 2% of the average best three years basic salary multiplied by the number of years of contributory service, less an adjustment for Canada Pension Plan contributions.

The University charges the annual funding installments to expense in each year. Combined with member contributions, both pension plans are operated on an actuarially sound financial basis.

NOTE 8 GROUP LIFE AND DISABILITY INSURANCE RESERVES

Since 1971, the University of British Columbia, Simon Fraser University, and the University of Victoria have participated in a joint committee (FRIBCO) to administer the reserve funds relating to the Universities' group life and disability insurance policies.

The three universities agreed to terminate FRIBCO effective April 30, 1984. Each university received its share of the reserves after Confederation Life Insurance Company reported the final balances. This is shown on the Balance Sheet in the amount of \$5,392,489.

The group life and disability insurance programs are unaffected and the University of British Columbia's portion of the reserves on hand are adequate to meet existing commitments.

NOTE 9 RECLASSIFICATION

Comparative figures for 1984 have been restated to conform with the 1985 financial statement presentation.



## UNIVERSITY OF VICTORIA



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

## AUDITOR'S REPORT

To the Chairman and Members of the Board of Governors of  
The University of Victoria, and

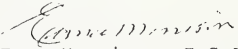
To the Minister of Universities, Science and Communications  
Province of British Columbia:

I have examined the combined balance sheet of the University of  
Victoria as at 31 March 1985 and the following statements for the  
year then ended:

- Statement 2 - Combined statement of changes in appropriated  
expendable funds
- Statement 3 - Combined statement of changes in unappropriated  
expendable funds
- Statement 4 - Combined statement of changes in general  
operating fund
- Statement 5 - Combined statement of changes in specific  
purposes fund
- Statement 6 - Combined statement of changes in sponsored  
research fund
- Statement 7 - Combined statement of changes in ancillary  
enterprises fund
- Statement 8 - Combined statement of changes in capital fund
- Statement 9 - Combined statement of changes in non-expendable  
student loan and endowment principal funds
- Statement 10 - Combined statement of changes in equity in  
plant assets

My examination was made in accordance with generally accepted  
auditing standards, and accordingly included such tests and other  
procedures as I considered necessary in the circumstances.

In my opinion these combined financial statements present fairly  
the financial position of the University as at 31 March 1985 and  
the results of its operations and the changes in its fund balances  
for the year then ended in accordance with accounting principles  
described in note 1 to the financial statements applied, after giving  
retroactive effect to the changes regarding capitalization of plant  
assets and the investment in Bamfield Marine station described in  
note 2 to the financial statements, on a basis consistent with that  
of the preceding year.

  
Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
19 July 1985


UNIVERSITY OF VICTORIA  
COMBINED BALANCE SHEET  
As at March 31, 1985  
(thousands of dollars)

Statement 1

ASSETS	1985	1984
Cash and temporary investments	25,661	23,919
Accounts receivable	3,651	2,707
Inventories	1,389	1,312
Deferred charges	613	703
Endowment investments (market value \$8,893 - 1984 \$6,989)	8,456	7,125
Capital funds held in trust by Province of B.C. (Note 3)	11,226	16,000
Investment in Bamfield Marine Station (Note 2(b))	610	586
Plant Assets:		
Land	8,590	8,390
Build and site improvements	74,220	67,868
Buildings	25,202	18,360
Equipment and furnishings		
Library holdings	24,020	22,095
	183,530	169,065

For the Board of Governors

  
I.H. Stewart  
Chairman

  
R.W. McQueen, C.A.  
Vice-President, Finance

LIABILITIES AND FUND BALANCES	1985	1984
Accounts payable and accrued liabilities	10,722	6,126
Deferred revenue	486	512
Deferred capital funds revenue (Note 3)	9,473	15,294
Group insurance reserve (Note 4)	1,081	-
Loans payable (Note 5)	994	1,264
Long term debt (Note 6)	29,609	30,280
Expendable fund balances		
Appropriated (Statement 2)		
General Operating	7,868	9,714
Ancillary Enterprises	2,100	1,749
Unappropriated (Statement 3)		
General Operating	252	290
Specific Purposes	5,797	5,979
Sponsor Research	2,320	1,461
Ancillary Enterprises	158	-
Capital	1,781	1,931
Non-expendable fund balances (Statement 9)		
Student Loan	88	95
Endowment Principal	8,522	7,161
Equity in Bamfield Marine Station (Note 2(b))	610	586
Equity in plant assets (Statement 10)	101,669	86,123
	183,530	169,065

See accompanying notes to the financial statements

## COMBINED STATEMENT OF CHANGES IN APPROPRIATED EXPENDABLE FUNDS

Statement 2

Year ended March 31, 1985

(thousands of dollars)

	GENERAL OPERATING	ANCILLARY ENTERPRISES	TOTAL 1985	TOTAL 1984
Fund balances at beginning of year	9,714	1,749	11,463	8,160
Appropriations released to meet expenditures	7,510	174	7,684	4,115
New appropriations	2,204	1,575	3,779	4,045
	5,664	525	6,189	7,418
Fund balances at end of year	7,868	2,100	9,968	11,463

Details of fund balances	OPENING BALANCE	RELEASES	ADDITIONS	CLOSING BALANCE
General Operating Fund appropriations:				
Equipment replacement and capital improvements				
Audiovisual services	160	34	114	240
Coin-operated photocopiers	11	-	29	40
Computing - general	2,502	2,773	774	503
Computing - Engineering	165	-	-	165
Motor vehicles	66	27	47	86
Parking services	24	9	3	18
Photocopy services	154	24	54	184
Printing and duplicating services	156	-	82	238
Rental properties	90	-	40	130
Stadium	38	28	14	24
Student aid programs	500	254	-	246
General renovations and site improvements	-	-	695	695
Equipment purchases	275	275	500	500
Non-recurring research and travel	385	385	300	300
Non-recurring acquisition costs				
of computerized personnel/payroll system	188	63	-	125
Committed annualization costs				
of salaries and benefits	267	267	185	185
Non-recurring expenditures financed				
from budgetary savings	4,633	3,371	2,827	4,089
Uninsured property losses	100	-	-	100
	9,714	7,510	5,664	7,868
Ancillary Enterprises Fund appropriations:				
Equipment replacement and capital improvements				
Bookstore	153	12	74	215
Food Services	1,204	91	242	1,355
Residences	392	71	209	530
	1,749	174	525	2,100
	11,463	7,684	6,189	9,968

## COMBINED STATEMENT OF CHANGES IN UNAPPROPRIATED EXPENDABLE FUNDS

Year ended March 31, 1985

(thousands of dollars)

	GENERAL OPERATING PURPOSES (Statement 4)	SPECIFIC PURPOSES (5)	SPONSORED RESEARCH (6)	ANCILLARY ENTERPRISES (7)	CAPITAL (8)	TOTAL 1985	TOTAL 1984
<b>REVENUE AND OTHER ADDITIONS</b>							
Government grants and contracts - provincial	51,042	2,352	269	-	9,628	63,291	62,213
- federal	35	216	6,904	-	-	7,175	5,888
- other	36	32	79	-	-	147	74
Student fees - credit courses	10,642	338	-	-	-	10,980	8,740
- non credit courses	541	120	-	-	-	661	458
- other	407	-	-	-	-	407	384
Gifts, grants and bequests	16	1,122	404	-	56	2,598	1,112
Sales of services and products	-	-	-	8,171	-	8,171	8,045
Investment income	1,840	1,028	-	145	199	3,212	2,634
Other revenue	518	-	-	-	56	574	521
Authorized capital borrowings	-	-	-	-	811	811	478
	65,157	5,208	7,656	8,316	10,750	97,087	90,257
<b>EXPENDITURE AND OTHER DEDUCTIONS</b>							
Salaries - faculty	24,491	1,225	341	-	-	26,057	26,108
- other instruction and research	3,038	245	2,613	-	-	6,996	6,208
- support staff	19,270	342	311	2,526	157	22,806	22,526
Total salaries	46,799	2,712	3,265	2,526	157	55,459	54,841
Employee benefits	5,989	210	566	231	-	6,985	6,391
Travel	1,341	471	560	17	-	2,389	2,441
Library acquisitions	2,019	182	34	-	-	2,235	2,441
Operational supplies and expenses	4,549	444	1,032	293	669	6,987	6,366
Equipment purchases	4,346	470	1,377	135	810	7,138	6,891
Equipment rental and maintenance	1,063	3	18	139	-	1,229	1,182
Utilities	1,794	-	1	334	-	2,129	1,931
Scholarships, fellowships and bursaries	1,897	380	112	-	-	2,389	1,869
Cost of goods sold	-	-	-	3,550	-	3,550	3,356
Debt service	-	-	-	666	-	666	4,215
Buildings	-	-	-	-	5,708	5,708	4,482
Land and site improvements	-	-	-	-	14	14	157
Internal cost allocations	(629)	282	292	43	-	-	-
External cost recoveries	(2,107)	(397)	(110)	-	-	(2,614)	(2,510)
	67,071	4,757	6,797	7,807	10,952	97,384	85,631
<b>TRANSFERS AND APPROPRIATIONS</b>							
Inter-fund transfers	(570)	(533)	-	-	52	(1,051)	(477)
Appropriations released to meet expenditures	7,510	-	-	174	-	7,684	4,115
New appropriations	(5,664)	-	-	(525)	-	(6,189)	(7,418)
	1,276	(533)	-	(351)	52	444	(3,350)
Net increase (decrease) during year	(638)	(82)	859	158	(150)	147	1,276
Fund balances at beginning of year	890	5,879	1,461	-	1,931	10,161	8,885
Fund balances at end of year	252	5,797	2,320	158	1,781	10,308	10,161

## COMBINED STATEMENT OF CHANGES IN GENERAL OPERATING FUND

Statement 4

Year ended March 31, 1985

(thousands of dollars)

	1985	1984
<b>REVENUE</b>		
Government grants and contracts - provincial	51,042	53,756
- federal	55	241
- other	36	-
Student fees - credit courses	10,642	8,391
- non credit courses	541	416
- other	407	384
Gifts, grants and bequests	16	240
Investment income	1,840	1,514
Other revenue	578	138
	65,157	65,080
<b>EXPENDITURE</b>		
Salaries - faculty	24,491	23,981
- other instruction and research	3,038	3,017
- support staff	19,270	19,262
Total salaries	46,799	46,260
Employee benefits	5,999	5,783
Travel	1,341	1,421
Library acquisitions	2,019	2,290
Operational supplies and expenses	4,549	4,663
Equipment purchases	4,346	1,112
Equipment rental and maintenance	1,063	1,157
Utilities	1,794	1,646
Scholarships, fellowships and bursaries	1,897	1,333
Internal cost allocations	(629)	(958)
External cost recoveries	(2,107)	(2,266)
	67,071	62,441
<b>TRANSFERS AND APPROPRIATIONS</b>		
Inter-fund transfers	(570)	(206)
Appropriations released to meet expenditures	7,510	4,055
New appropriations	(5,664)	(6,647)
	1,276	(2,798)
Net increase (decrease) during year	(638)	(159)
Fund balance at beginning of year	890	1,049
Fund balance at end of year	252	890

## COMBINED STATEMENT OF CHANGES IN SPECIFIC PURPOSES FUND

Statement 5

Year ended March 31, 1985

(thousands of dollars)

	1985	1984
<b>REVENUE</b>		
Government grants and contracts - provincial	2,352	3,764
- federal	216	464
- other	32	-
Student fees - credit courses	338	349
- non credit courses	120	42
Gifts, grants and bequests	1,122	476
Investment income	1,028	874
	5,208	5,969
<b>EXPENDITURE</b>		
Salaries - faculty	1,225	1,852
- other instruction and research	945	827
- support staff	542	621
Total salaries	2,712	3,300
Employee benefits	210	200
Travel	471	331
Library acquisitions	182	125
Operational supplies and expenses	444	639
Equipment purchases	470	216
Equipment rental and maintenance	3	4
Scholarships, fellowships and bursaries	380	467
Internal cost allocations	282	320
External cost recoveries	(397)	(184)
	4,757	5,418
Inter-fund transfers	(533)	3
Net increase (decrease) during year	(82)	554
Fund balance at beginning of year	5,879	5,325
Fund balance at end of year	5,797	5,879

COMBINED STATEMENT OF CHANGES IN SPONSORED RESEARCH FUND      Statement 6  
Year ended March 31, 1985  
(thousands of dollars)

	1985	1984
REVENUE		
Government grants and contracts - provincial	269	222
- federal	6,904	5,183
- other	79	74
Gifts, grants and bequests	404	198
	7,656	5,677
EXPENDITURE		
Salaries - faculty	341	275
- other instruction and research	2,613	2,364
- support staff	311	274
Total salaries	3,265	2,913
Employee benefits	216	183
Travel	560	444
Library acquisitions	34	31
Operational supplies and expenses	1,032	742
Equipment purchases	1,377	706
Equipment rental and maintenance	18	19
Utilities	1	-
Scholarships, fellowships and bursaries	112	69
Internal cost allocations	292	294
External cost recoveries	(110)	(60)
	6,797	5,341
Net increase during year	859	336
Fund balance at beginning of year	1,461	1,125
Fund balance end of year	2,320	1,461

## COMBINED STATEMENT OF CHANGES IN ANCILLARY ENTERPRISES FUND

Statement 7

Year ended March 31, 1985

(thousands of dollars)

	BOOKSTORE & SHOP	FOOD SERVICES	RESIDENCES	TOTAL 1985	TOTAL 1984
REVENUE					
Sales of services and products	2,969	3,250	1,952	8,171	8,045
Investment income	(10)	120	35	145	70
	2,959	3,370	1,987	8,316	8,115
EXPENDITURE					
Salaries	519	1,360	647	2,526	2,371
Employee benefits	48	119	67	234	225
Travel	10	6	1	17	15
Operational supplies and expenses	19	142	132	293	322
Equipment purchases	1	88	46	135	90
Equipment rental and maintenance	2	1	6	9	12
Utilities	12	90	232	334	285
Cost of goods sold	2,246	1,304	-	3,550	3,356
Debt service	-	-	666	666	668
Internal cost allocations	27	9	7	43	60
	2,884	3,119	1,804	7,807	7,404
TRANSFERS AND APPROPRIATIONS					
Appropriations released to meet expenditures	12	91	71	174	60
New appropriations	(74)	(242)	(209)	(525)	(771)
	(62)	(151)	(138)	(351)	(711)
Net increase during year	13	100	45	158	-
Fund balance at beginning of year	-	-	-	-	-
Fund balance at end of year	13	100	45	158	-



## COMBINED STATEMENT OF CHANGES IN CAPITAL FUND

Statement 8

Year ended March 31, 1985

(thousands of dollars)

	1985	1984
REVENUE		
Government grants and contracts - provincial	9,628	4,471
Gifts, grants and bequests	56	198
Investment income	199	176
Other revenue	56	93
Authorized capital borrowings	811	478
	10,750	5,416
EXPENDITURE		
Salaries	157	-
Operational supplies and expenses	669	-
Equipment purchases	810	557
Debt service	3,582	3,547
Buildings	5,708	482
Land and site improvements	14	157
Internal cost allocations	12	284
	10,952	5,027
Inter-fund transfers	52	156
Net increase (decrease) during year	(150)	545
Fund balance at beginning of year	1,931	1,386
Fund balance at end of year	1,781	1,931

## Statement 9

## COMBINED STATEMENT OF CHANGES IN NON-EXPENDABLE STUDENT LOAN AND ENDOWMENT PRINCIPAL FUNDS

Year ended March 31, 1985

(thousands of dollars)

	STUDENT LOAN	ENDOWMENT	TOTAL 1985	TOTAL 1984
ADDITIONS				
Gifts, grants and bequests	-	256	256	88
Investment income	-	54	54	141
Bad loan recoveries	-	-	-	2
Inter-fund transfers	-	1,051	1,051	47
	-	1,361	1,361	278
DEDUCTIONS				
Bad loans	7	-	7	-
Net increase (decrease) during year	(7)	1,361	1,354	278
Fund balances at beginning of year	95	7,161	7,256	6,978
Fund balances at end of year	88	8,522	8,610	7,256

COMBINED STATEMENT OF CHANGES IN EQUITY IN PLANT ASSETS      Statement 10  
 Year ended March 31, 1985  
 (thousands of dollars)

	1985	1984
EQUITY INCREASED BY		
Additions to plant assets [Note 2(a)]	15,710	5,917
Repayment of capital borrowings from -		
Provincial government grants	644	621
Interest earnings on sinking fund	346	219
Ancillary enterprise operations	59	57
	16,759	6,814
EQUITY DECREASED BY		
New capital borrowings	811	478
Equipment, furnishings and library holdings written off [Note 1(i)]	402	631
	1,213	1,109
Net increase during year	15,546	5,705
Equity at beginning of year as originally reported	55,083	53,185
Increase arising from change in accounting policy [Note 2(a)]		
Capitalization of equipment and furnishings	10,378	8,547
Capitalization of library holdings	20,662	18,686
Equity at end of year	101,669	86,123

## NOTES TO COMBINED FINANCIAL STATEMENTS

March 31, 1985

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES(a) General

These financial statements have been prepared in accordance with accounting principles generally accepted for universities as described in the 'Guide to Accounting Principles, Practices and Standards of Disclosure for Universities and Colleges of Canada' published in 1984 by the Canadian Association of University Business Officers (CAUBO).

(b) Combined Statements

The University of Victoria Foundation is incorporated to hold and administer endowment funds and related income for the sole benefit of the University. The accounts of the Foundation have therefore been included in these statements, and transactions between the two bodies have been eliminated. The effect is to increase the following items:

	<u>1985</u>	<u>1984</u>
Assets	\$10,768,519	\$9,139,537
Liabilities	29,332	26,652
Fund balances		
Specific Purposes	2,301,923	2,056,368
Endowment Principal	8,437,264	7,056,517

(c) Fund Accounting

Fund accounting procedures are employed in order to recognize restrictions placed on the use of resources by donors and granting agencies or by the governing boards. Separate accounts are maintained for each fund to ensure observance of these restrictions.

For financial reporting purposes the balance sheet combines the assets and liabilities of all funds. The statements of changes in funds show the revenues and expenditures of each fund.

Funds are classified as expendable or non-expendable. Expendable funds are those which may be expended in their entirety within the restrictions referred to above. Non-expendable funds comprise gifts and other receipts that are to be held as endowment principal or used for making loans to students.

Funds with similar characteristics are grouped together for reporting purposes as follows:

## General Operating

Revenues which the Board of Governors administers at its discretion.

## Specific Purposes

Gifts and grants to be used for designated projects and purposes, and investment income earned on endowment principal.

Sponsored Research

Gifts, grants and contract revenue in support of research.

Ancillary Enterprises

Revenue from service operations which are expected to function on a self-supporting basis. These enterprises are charged with most costs associated with their operations, including debt service and provisions for repair and replacement of facilities.

Capital

Amounts received for acquisition of plant assets, major renovations and repayment of long term debt.

Student Loan

Amounts held for making loans to students.

Endowment Principal

Amounts held as invested principal, the income from which is placed in the Specific Purposes Fund.

(d) Accrual Accounting

The University follows the accrual basis of accounting recommended by CAUBO. Revenue is recorded when received or receivable. Expenditures are recorded when the goods or services are received. No accrual is made for salaried employees' vacation pay or study leave support.

(e) Appropriations

Appropriations are set aside within the General Operating and Ancillary Enterprises Funds for future major or specific project expenditures and in respect of certain unexpended budget allocations. These appropriations are released when the expenditures to which they relate are made.

(f) Investments

Temporary investments consist of short term deposits, treasury bills and corporate notes. Endowment investments also include bonds and common stocks. All are recorded at cost.

(g) Inventories

Inventories of supplies are recorded at cost. Inventories of merchandise held for resale are stated at the lower of cost and net realizable value.

(h) Deferred Charges

Prepaid long term equipment rental costs are amortized on a straight line basis over 10 years.

(i) Plant Assets

All expenditures for plant asset additions are charged to the fund which provides the resources. No depreciation is recorded.

Plant assets are also recorded at cost on the balance sheet, with corresponding credits to the equity account. The cost of library holdings represents acquisition costs only, and does not include cataloguing or other internal handling costs.

The original cost of plant assets is deleted from the asset and equity accounts as follows:

- land and buildings, upon disposal;
- equipment and furnishings are deemed to have an average useful life of eight years and are written off in the ninth year;
- an annual allowance for disposal and shrinkage of library holdings is determined by the Librarian.

(j) Capital Borrowings

Certain Capital Fund expenditures are financed under borrowing authority granted by the Province of B.C. The proceeds from these authorized borrowings are therefore recorded as revenue of the Capital Fund in the same year as the expenditures are made. Grants subsequently received from the Province of B.C. to repay the principal of these borrowings are not recorded as revenue in order to avoid duplication.

NOTE 2 CHANGES IN ACCOUNTING POLICIES

(a) Capitalization of Plant Assets

In previous years, equipment and library acquisitions purchased from funds other than the Capital Fund were not capitalized as plant assets. To conform with the CAUBO Guide these expenditures are now capitalized, with a corresponding credit to the equity account.

(b) Investment in Bamfield Marine Station

The University is one of five members of the Western Canadian Universities Marine Biological Society. The Society records its plant assets at cost, and the equity of each member in those assets is proportionate to its capital grant contributions. The University's investment and corresponding equity are recorded at the amounts shown by the audited statements of the Society. They were not recorded in previous years.

NOTE 3 CAPITAL FUNDS HELD IN TRUST

These funds are held in a trust account by the Minister of Finance pursuant to the University of Victoria Special Appropriation Act 1984 for the purpose of financing, constructing and equipping a Science and Engineering Facility at the

University. The difference of \$ 1,653,059 between the balance of this account and the associated deferred revenue represents Capital Fund revenue recognized at March 31, 1985 in respect of project expenditures incurred but not paid at that date.

#### NOTE 4 GROUP INSURANCE RESERVE

This reserve is held in connection with the University's group life and long-term disability insurance plans, and is considered adequate to meet the existing commitments of the plans.

#### NOTE 5 LOANS PAYABLE

Loans are held from the Bank of Montreal (\$434,460) and from the Provincial Treasury (\$560,140) at prime interest rates or lower, under the authority of the Educational Institution Capital Finance Act. These loans will be repaid with funds received from the Province of B.C. for that purpose or refinanced through debentures issued by the University to the B.C. Educational Institutions Capital Financing Authority.

#### NOTE 6 LONG TERM DEBT

	<u>Principal</u> <u>1985</u>	<u>Principal</u> <u>1984</u>	<u>Repayments</u> <u>1986</u>
B.C. Educational Institutions Capital Financing Authority			
9.41% to 17% due 1986 to 2004	\$29,193,946	\$28,815,946	\$4,531,477
Less sinking fund	3,722,357	2,692,646	
	<u>25,471,589</u>	<u>26,123,300</u>	
Canada Mortgage and Housing Corporation			
5.125% to 9.5% due 2015 to 2029	4,137,355	4,156,595	353,829
	<u>\$29,608,944</u>	<u>\$30,279,895</u>	<u>\$4,885,306</u>

Debentures are issued to the B.C. Educational Institutions Capital Financing Authority under the Educational Institution Capital Finance Act. Payments to the sinking fund held by the Authority are based on the discounted present values required to fund repayment of the debentures at maturity. These debentures can be recalled by the Authority giving not less than 5 months' notice. Sinking fund and interest payments are made with funds received from the Province of B.C. for that purpose or from the Ancillary Enterprises Fund.

Debentures issued under Orders-in-Council to the Canada Mortgage and Housing Corporation are secured by a mortgage on the student residences and Commons building. Principal and interest payments are made from the Ancillary Enterprises fund.

#### NOTE 7 PENSION PLANS

The University pension plan for faculty and administrative and academic professional staff is a defined contribution plan administered by a separate

Board of Trustees. The last actuarial valuation as at July 1, 1983 showed that the minimum pension benefit liabilities of the plan were fully funded.

The University pension plan for other staff is a defined benefit plan administered by the University. The last actuarial valuation as at January 1, 1984 showed that the liabilities of the plan were fully funded.

#### NOTE 8 COMMITMENTS

Commitments under construction contracts totalled \$6,509,064 at March 31, 1985. Of this \$6,499,933 will be financed from the monies held in trust for that purpose (see Note 3) and the remainder from the Capital Fund. A commitment to purchase \$446,000 of computer equipment in 1985-86 will be met from the General Operating Fund.

#### NOTE 9 COMPARATIVE FIGURES

Comparative figures for 1984 have been restated to conform with 1985 financial statement presentation.



**W.L.C. DEVELOPMENTS LTD.****DUNWOODY & COMPANY**

Internationally  
DUNWOODY ROBSON McGLADREY & PULLEN  
Chartered Accountants  
P.O. Box 49272, Four Bentall Centre,  
1055 Dunsmuir Street, Suite 1800, Vancouver, B.C.,  
Canada V7X 1C5  
Telephone: (604) 688-5421 Telex: 04-55488

**AUDITORS' REPORT**

TO THE SHAREHOLDER  
W.L.C. DEVELOPMENTS LTD.

We have examined the consolidated balance sheet of W.L.C. Developments Ltd. as at 31 December 1984 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at 31 December 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures were reported on by other auditors.


Vancouver, British Columbia  
22 February 1985

*Dunwoody & Company*  
CHARTERED ACCOUNTANTS

W.L.C. DEVELOPMENTS LTD.  
CONSOLIDATED BALANCE SHEET  
31 DECEMBER 1984

	<u>1984</u>	<u>1983</u>
ASSETS		
CASH	\$ 63,239	\$ -
AGREEMENT AND ACCOUNTS RECEIVABLE, note 2	302,455	606,478
PREPAID EXPENSES	70,558	-
FURNITURE AND FIXTURES	13,945	2,792
INVENTORY OF LAND FOR RESALE, note 3	9,282,107	9,244,795
GOLF COURSE, note 4	351,174	237,329
CONFERENCE CENTRE, note 8(b)	<u>4,299,971</u>	<u>201,908</u>
	<u>\$14,383,449</u>	<u>\$10,293,302</u>
LIABILITIES		
BANK INDEBTEDNESS	\$ -	\$ 26,772
ACCOUNTS AND HOLDBACKS PAYABLE	1,111,652	297,402
INTEREST PAYABLE	137,376	253,259
LOAN PAYABLE, note 5	13,781,966	8,025,000
DUE TO RESORT MUNICIPALITY OF WHISTLER, note 6	3,356,852	3,356,852
DUE TO PROVINCE OF BRITISH COLUMBIA, note 7	<u>3,800,000</u>	<u>10,450,000</u>
	<u>22,187,846</u>	<u>22,409,285</u>
SHARE CAPITAL AND DEFICIT		
SHARE CAPITAL		
Authorized		
10,000 common shares without par value		
Issued		
1 share (1983 - 1 share)	1	1
DEFICIT	<u>( 7,804,398 )</u>	<u>(12,115,984)</u>
	<u>( 7,804,397 )</u>	<u>(12,115,983)</u>
	<u>\$14,383,449</u>	<u>\$10,293,302</u>
SIGNIFICANT ACCOUNTING POLICIES, note 1		
COMMITMENTS, note 8		
RELATED PARTY TRANSACTIONS, note 9		
COMPARATIVE FIGURES, note 10		

Approved on behalf of the Board

 Director

 Director

## W.L.C. DEVELOPMENTS LTD.

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT  
YEAR ENDED 31 DECEMBER 1984

	<u>1984</u>	<u>1983</u>
REVENUE		
Golf Course		
Agreements	\$ -	\$ 1,100,000
Operations	403,996	193,407
Miscellaneous	<u>25,984</u>	<u>11,509</u>
	<u>429,980</u>	<u>1,304,916</u>
EXPENSES		
Administration	384,265	324,731
Consulting	309,667	177,645
Financing costs	1,215,950	808,518
Golf Course	377,734	260,926
Miscellaneous	69,680	66,449
Professional fees	127,620	205,017
Whistler Resort Association dues and expenses	<u>283,478</u>	<u>203,928</u>
	<u>2,768,394</u>	<u>2,047,214</u>
LOSS FROM OPERATIONS	2,338,414	742,298
FORGIVENESS OF LOAN, note 7	<u>6,650,000</u>	<u>200,000</u>
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	4,311,586	( 542,298)
Extraordinary item		
Write-off of excess of cost of investment over value of net assets acquired	<u>-</u>	<u>(11,573,686)</u>
NET INCOME (LOSS)	4,311,586	(12,115,984)
Deficit, beginning of year	<u>12,115,984</u>	<u>-</u>
DEFICIT, END OF YEAR	<u>\$ 7,804,398</u>	<u>\$12,115,984</u>

## W.L.C. DEVELOPMENTS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
YEAR ENDED 31 DECEMBER 1984

	<u>1984</u>	<u>1983</u>
SOURCES OF CASH		
Increase in loan payable	\$ 5,756,966	\$ 8,025,000
Increase in interest payable	-	253,259
Increase in accounts and holdbacks payable	814,250	297,402
Decrease in accounts and agreements receivable	304,023	-
Issuance of share capital	-	1
Increase in amount due to Resort Municipality of Whistler	-	3,356,852
Increase in amount due to Province of British Columbia	-	10,650,000
	<u>6,875,239</u>	<u>22,582,514</u>
USES OF CASH		
Loss from operations	2,338,414	742,298
Additions to furniture and fixtures	11,153	2,792
Additions to Conference Centre	4,098,063	201,908
Additions to Golf Course	113,845	237,329
Additions to inventory of land for resale	37,312	9,244,795
Increase in accounts receivable	-	606,478
Goodwill on consolidation	-	11,573,686
Increase in prepaid expenses	70,558	-
Decrease in interest payable	115,883	-
	<u>6,785,228</u>	<u>22,609,286</u>
INCREASE (DECREASE) IN CASH	90,011	( 26,772)
Bank indebtedness, beginning of year	( 26,772)	-
CASH (BANK INDEBTEDNESS), END OF YEAR	<u>\$ 63,239</u>	<u>(\$ 26,772)</u>

W.L.C. DEVELOPMENTS LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 1984

1. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Company:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary companies:

Whistler Village Land Co. Ltd.  
Whistler Golf Ltd.  
Whistler Conference Centre Inc.

The Company is a government-owned corporation, the outstanding share is owned by the Province of British Columbia.

(b) Valuation

The Company records its assets at historical cost.

(c) Capitalization of Land Costs

The Company capitalizes all related costs except for certain consulting fees which are expensed.

2. AGREEMENT AND ACCOUNTS RECEIVABLE

	<u>1984</u>	<u>1983</u>
Agreement receivable	\$269,335	\$554,526
Accounts receivable	<u>33,120</u>	<u>51,952</u>
	<u>\$302,455</u>	<u>\$606,478</u>

The agreement receivable is the amount due under the Golf Course Agreement. The balance as at 31 December 1984 is to be paid as the developer sells lands conveyed to it in exchange for construction of the golf course.

3. INVENTORY OF LAND FOR RESALE

	<u>Whistler Village</u>	<u>Blackcomb Benchlands</u>	<u>Total</u>
Balance on incorporation, 5 January 1983	\$ -	\$ -	\$ -
Add: Transferred from Whistler Village Land Co. Ltd. Costs capitalized during the year	5,269,961	3,593,774	8,863,735
	<u>381,060</u>	<u>-</u>	<u>381,060</u>
Balance, 31 December 1983	5,651,021	3,593,774	9,244,795
Add: Costs capitalized during the year	37,312	-	37,312
Balance, 31 December 1984	<u>\$5,688,333</u>	<u>\$3,593,774</u>	<u>\$9,282,107</u>

## W.L.C. DEVELOPMENTS LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 1984

## 4. GOLF COURSE

	<u>1984</u>	<u>1983</u>
Golf Course	\$238,724	\$237,329
Building improvements	21,661	-
Equipment	26,268	-
Golf carts	<u>64,521</u>	<u>-</u>
	<u>\$351,174</u>	<u>\$237,329</u>

## 5. LOAN PAYABLE

The following amounts are due to the National Victoria & Grey Trust Company (Victoria & Grey):

	<u>1984</u>	<u>1983</u>
Notes payable	\$ 3,031,966	\$ 275,000
Term notes		
(a) Issued - 7 September 1983		
Maturing - 7 September 1990	7,750,000	7,750,000
(b) Issued - 9 October 1984		
Maturing - 9 October 1991	<u>3,000,000</u>	<u>-</u>
	<u>\$13,781,966</u>	<u>\$8,025,000</u>

The notes payable bear interest at 3/4 of 1% less than the average prime rate of the Canadian Imperial Bank of Commerce (the C.I.B.C.). Interest is payable monthly but may be capitalized at the Company's option.

The term notes bear interest at 3/4 of 1% less than the average prime rate of the C.I.B.C. Interest is payable quarterly. The notes are redeemable by the Company on or after the second anniversary from the date of issue.

In consideration of the guarantee of the Province of British Columbia (the Province) to Victoria & Grey as to the repayment of the loan, the Company has agreed to indemnify and to provide security for any losses sustained by the Province.

## 6. DUE TO RESORT MUNICIPALITY OF WHISTLER

This debt is interest-free and repayable only after all the liabilities of the Company have been paid and the Company has been wound up.

Subsequent to year end, the Province reduced the debt owed by the Resort Municipality of Whistler by \$179,795. The Resort Municipality of Whistler is expected to reduce the debt owed by the Company by a similar amount.

## W.L.C. DEVELOPMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 1984

## 7. DUE TO PROVINCE OF BRITISH COLUMBIA

On 7 March 1979, Whistler Village Land Co. Ltd. agreed to undertake certain capital projects in relation to the development of the Whistler area as a destination resort to be jointly financed by the Government of Canada and the Province of British Columbia (the Province) through the Travel Industry Development Subsidiary Agreement (T.I.D.S.A.). The full amount of \$10,450,000 had been received from the Province and applied to the capital projects in accordance with the T.I.D.S.A. agreement.

By an agreement dated 24 December 1984 between the Province and the Company amending earlier agreements on the T.I.D.S.A. loan, the Province forgave the Company's liability to repay \$6,650,000 of the original loan amount. The balance of \$3,800,000 will be forgiven in 1985 upon completion of the Conference Centre and provided certain other conditions are met.

## 8. COMMITMENTS

- (a) By an agreement dated 11 January 1979, Fortress Mountain Resorts Ltd. (Fortress) has an option to purchase the Blackcomb Mountain Benchlands. The option price is equal to approximately \$25,000 per net developable hectare, which approximates cost. The option price is subject to escalation factors which depend upon the date on which the option is exercised. The option expires in February 2014, but may expire in 2004, in which event Fortress has a right of first refusal to 2014.

Under another agreement dated 1 May 1979, the Company has agreed to make all reasonable efforts to obtain title to approximately 17 hectares of land contiguous to the land subject to the 11 January 1979 option and to extend to Fortress the option to these lands at an option price of approximately \$37,500 per net developable hectare. The option price is subject to the same escalation factors as are contained in the 11 January 1979 option. This option expires in January 1990.

Under an unregistered agreement dated 1 May 1979 with Fortress Mountain Resorts Ltd., the Company had agreed to construct, or cause to be constructed, ten tennis courts by 31 July 1983 and to fund a highway crossing for golfers at no less than \$75,000 and no more than \$125,000. The Company is presently negotiating its release from the agreement.

- (b) The Company is currently completing the construction of the Conference Centre. Total cost at completion is estimated to be \$8,300,000.

W.L.C. DEVELOPMENTS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 1984

9. RELATED PARTY TRANSACTIONS

All transactions between the Company and the Province of British Columbia are reflected in these financial statements.

10. COMPARATIVE FIGURES

Certain of prior year's figures provided for comparison have been reclassified to conform with current year's presentation.



**WORKERS' COMPENSATION BOARD OF BRITISH COLUMBIA**

**Province of  
British Columbia**

**Office of the  
Auditor General  
Province of British Columbia**

**8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4**

**AUDITOR'S REPORT**

To the Chairman and Members of the  
Workers' Compensation Board, and

To the Minister of Labour  
Province of British Columbia:

I have examined the balance sheet of the Workers' Compensation Board as at 31 December 1984 and the statements of income and expense and unfunded liability, changes in fund liabilities, changes in special reserve balances and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In 1984, the Board added to the actuarially-determined accident fund liabilities a contingency margin of \$42.8 million which has been charged as an expense in the statement of income and expense and unfunded liability. In my opinion, this amount should not have been charged as an expense against the Board's operations but instead recorded as a contingency appropriation and segregated on the balance sheet. Had this been done, the 1984 "net income applied to unfunded liability" would have been \$42.8 million greater but the \$314.9 million unfunded liability as at 31 December 1984 would not be affected.

In my opinion, except for the treatment of the contingency margin described in the preceding paragraph, these financial statements present fairly the financial position of the Board as at 31 December 1984 and the results of its operations and the changes in its fund liabilities, special reserve balances and financial position for the year then ended in accordance with the stated accounting policies disclosed in note 1 to the financial statements applied, after giving retroactive effect to the change in the method of valuing long-term investments as explained in note 2, on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

**Erma Morrison, F.C.A.  
Auditor General**

Victoria, British Columbia  
1 March 1985

WORKERS' COMPENSATION BOARD  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 1984**  
**(in \$,000's)**

EXHIBIT 1

ASSETS	1984	1983
Cash and short-term deposits	911,130	441,593
Assessments and accrued interest receivable	159,846	162,974
Deposit account unfinalled claims receivable	69,896	63,333
Long-term investments (Note 2)	796,526	944,529
Fixed assets, net of accumulated depreciation (Note 4)	47,949	50,152
	<u>1,985,347</u>	<u>1,662,581</u>
LIABILITIES AND FUND BALANCES		
Accounts payable and accrued liabilities	17,416	17,226
Deposit accounts	3,158	3,016
Accident fund:		
Liabilities (Exhibit 3)	2,220,042	2,105,263
Special Reserves (Exhibit 4)	<u>22,069</u>	<u>16,429</u>
	2,242,111	2,121,692
Silicosis fund liabilities (Exhibit 3)	37,569	38,565
Unfunded liability (Exhibit 2)	<u>(314,907)</u>	<u>(517,918)</u>
	<u>1,985,347</u>	<u>1,662,581</u>

The accompanying six notes are an integral part of these financial statements.

Approved by the Board:

  
W. R. Flesher  
Chairman

  
J. M. Nutter  
Commissioner

  
G. W. Hall  
Commissioner

  
M. Parr  
Commissioner

## WORKERS' COMPENSATION BOARD

EXHIBIT 2

**STATEMENT OF INCOME AND EXPENSE AND UNFUNDED LIABILITY  
FOR THE YEAR ENDED 31 DECEMBER 1984**  
(in \$,000's)

INCOME	1984	1983
Assessments		
Classes	446,381	423,799
Deposit accounts (Note 3)	29,747	30,942
Penalties	3,925	3,098
	<u>480,053</u>	<u>457,839</u>
Investment income		
Earned for the year	162,798	139,468
Adjustment to market (Note 2)	20,814	(2,146)
	<u>183,612</u>	<u>137,322</u>
	<u>663,665</u>	<u>595,161</u>
EXPENSE		
Current year claims		
Wage loss compensation	73,198	75,462
Medical aid payments	26,487	24,458
Pension awards, capitalized values	15,084	12,545
Provision for unfinalled claims	173,604	180,569
	<u>288,373</u>	<u>293,034</u>
Prior years' claims		
Investment income allocated to fund liabilities and special reserves	183,612	137,322
Adjustment to prior years' actuarial estimates	(94,838)	11,794
	<u>88,774</u>	<u>149,116</u>
Administration	<u>67,007</u>	<u>68,158</u>
	<u>444,154</u>	<u>510,308</u>
NET INCOME APPLIED TO UNFUNDED LIABILITY	219,511	84,853
UNFUNDED LIABILITY - 1 January	(517,918)	(586,271)
APPROPRIATION TO SPECIAL RESERVES	<u>(16,500)</u>	<u>(16,500)</u>
UNFUNDED LIABILITY - 31 December	<u>(314,907)</u>	<u>(517,918)</u>

## WORKERS' COMPENSATION BOARD

EXHIBIT 3

STATEMENT OF CHANGES IN FUND LIABILITIES  
FOR THE YEAR ENDED 31 DECEMBER 1984

(in \$,000's)

	Accident Fund		Silicosis Fund	
	1984	1983	1984	1983
ADDITIONS TO THE FUND LIABILITIES				
Investment income allocation	179,260	134,305	3,354	2,467
Adjustment to prior years' actuarial estimates	(91,368)	12,275	(3,470)	(481)
Pension awards, capitalized values	20,771	18,781	120	124
Provision for unfinalled claims	171,884	178,363	1,720	2,206
	<u>280,547</u>	<u>343,724</u>	<u>1,724</u>	<u>4,316</u>
DEDUCTIONS FROM THE FUND LIABILITIES				
Pensions paid	95,707	81,844	2,647	2,700
Wage loss compensation	39,029	44,472	-	-
Medical aid payments	31,032	32,837	73	138
	<u>165,768</u>	<u>159,153</u>	<u>2,720</u>	<u>2,838</u>
CURRENT YEAR INCREASE (DECREASE)	114,779	184,571	(996)	1,478
BALANCE - 1 January	<u>2,105,263</u>	<u>1,920,692</u>	<u>38,565</u>	<u>37,087</u>
BALANCE - 31 December (Exhibit 1)	<u><u>2,220,042</u></u>	<u><u>2,105,263</u></u>	<u><u>37,569</u></u>	<u><u>38,565</u></u>
Represented by:				
Provision for unfinalled claims	1,044,441	988,420	15,144	14,993
Pension awards, capitalized values	<u>1,175,601</u>	<u>1,116,843</u>	<u>22,425</u>	<u>23,572</u>
	<u><u>2,220,042</u></u>	<u><u>2,105,263</u></u>	<u><u>37,569</u></u>	<u><u>38,565</u></u>

## WORKERS' COMPENSATION BOARD

EXHIBIT 4

**STATEMENT OF CHANGES IN SPECIAL RESERVE  
BALANCES FOR THE YEAR ENDED 31 DECEMBER 1984  
(in \$,000's)**

	Total				
	<u>Contingent</u>	<u>Disaster</u>	<u>Enhancement</u>	<u>1984</u>	<u>1983</u>
ADDITIONS TO THE RESERVES					
Appropriation of net income	-	2,500	14,000	16,500	16,500
Investment income allocation	<u>50</u>	<u>233</u>	<u>715</u>	<u>998</u>	<u>550</u>
	<u>50</u>	<u>2,733</u>	<u>14,715</u>	<u>17,498</u>	<u>17,050</u>
DEDUCTIONS FROM THE RESERVES					
Pension awards, capitalized values	-	1,313	3,700	5,013	5,953
Wage loss compensation	-	199	4,767	4,966	4,814
Medical aid payments	<u>-</u>	<u>76</u>	<u>1,803</u>	<u>1,879</u>	<u>2,032</u>
	<u>-</u>	<u>1,588</u>	<u>10,270</u>	<u>11,858</u>	<u>12,799</u>
CURRENT YEAR INCREASE	50	1,145	4,445	5,640	4,251
BALANCE - 1 January	<u>525</u>	<u>3,251</u>	<u>12,653</u>	<u>16,429</u>	<u>12,178</u>
BALANCE - 31 December (Exhibit 1)	<u><u>575</u></u>	<u><u>4,396</u></u>	<u><u>17,098</u></u>	<u><u>22,069</u></u>	<u><u>16,429</u></u>

## WORKERS COMPENSATION BOARD

EXHIBIT 5

STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 1984

(in \$,000's)

	<u>1984</u>	<u>1983</u>
<b>FUNDS PROVIDED FROM</b>		
Net income applied to unfunded liability	219,511	84,853
Add (deduct) items not requiring cash:		
Provision for unfinalled claims	173,604	180,569
Adjustment to prior years' actuarial estimates	(94,838)	11,794
Investment income allocated to fund liabilities and special reserves	183,612	137,322
Pension awards, capitalized values	15,084	12,545
Depreciation	2,587	2,655
Gain on disposal of fixed assets	(13)	(15)
	<u>499,547</u>	<u>429,723</u>
<b>Deduct:</b>		
Cash applied in settlement of fund liabilities or charged against special reserves:		
Pensions paid	98,354	84,544
Wage loss compensation	43,995	49,286
Medical aid payments	32,984	35,007
	<u>175,333</u>	<u>168,837</u>
<b>Funds generated from operations</b>	<b>324,214</b>	<b>260,886</b>
Pensions payments recovered from third parties	794	407
Proceeds from disposal of fixed assets	190	50
Decrease in assessments and accrued interest receivable	3,128	18,695
Net increase in other liabilities	332	1,184
	<u>328,658</u>	<u>281,222</u>
<b>FUNDS APPLIED TO</b>		
Purchase of fixed assets	561	1,559
Increase in deposit account unfinalled claims receivable	6,563	9,289
	<u>7,124</u>	<u>10,848</u>
<b>INCREASE IN FUNDS INVESTED</b>	<b>321,534</b>	<b>270,374</b>
<b>FUNDS INVESTED - 1 January</b>	<u><b>1,386,122</b></u>	<u><b>1,115,748</b></u>
- 31 December	<u><u><b>1,707,656</b></u></u>	<u><u><b>1,386,122</b></u></u>
<b>COMPONENTS OF INCREASE IN FUNDS INVESTED</b>		
Increase (decrease) in cash and short-term deposits	469,537	(37,212)
(Decrease) increase in long-term investments	(148,003)	307,586
	<u><u>321,534</u></u>	<u><u>270,374</u></u>

WORKERS' COMPENSATION BOARD  
**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 1984**

**Note 1 - Significant Accounting Policies**

(a) Fund Accounting

Although the liabilities and reserves of the Board are allocated to the Accident and Silicosis Funds and various sub-divisions thereof, the assets are recorded on a pool basis with no allocation of individual assets to specific funds.

(b) Investments

Effective in 1984, investments are carried on the Balance Sheet at market value.

(c) Fixed Assets

Fixed assets are recorded at cost, except for land acquired before 1970 which is recorded at appraised value. The following fixed assets are depreciated on a straight-line basis over their estimated useful lives:

Buildings .....	20 or 40 years
Equipment .....	4 to 10 years
Furniture .....	10 years
Vehicles .....	5 years

(d) Fund Liabilities

The Board calculates the liabilities for unfinalled claims and pensions. These liabilities, and the underlying assumptions and methods, are examined by the consulting actuary appointed by the Board. The report of the consulting actuary is appended to these financial statements. A contingency margin is included in the fund liabilities as at 31 December 1984.

(e) Unfinalled Claims

Provisions for future claims costs relating to injuries occurring prior to 31 December 1984 for which the final settlement has not been determined are credited to the unfinalled claims liabilities which are part of the Accident and Silicosis Funds established under Sections 39 (1) (c) and 41 (2) (b) of the Workers' Compensation Act. Wage loss compensation and medical aid payments, and the capitalized value of pension awards granted after the year of injury (or after the year in which the claim is allowed, in the case of Silicosis), are charged to the respective unfinalled claims liabilities.

(f) Pensions

Capitalized values of pension awards are credited to the pension liability provisions, which are then charged with pensions paid. When a pension is awarded for an injury which occurred in the current year its capitalized value is treated as a current period expense. In the case of a pension awarded after the year of the injury (or after the year in which the claim is allowed, in the case of Silicosis), the pension is charged to the appropriate unfinalled claims liability.

(g) Special Reserves

The special reserves established pursuant to Section 39 of the Workers' Compensation Act are:

- (i) Contingent Reserve [Section 39 (1)(b)] which provides a reserve in aid of industries or classes which may become depleted or extinguished.
- (ii) Disaster Reserve [Section 39 (1)(d)] which provides a reserve to be used to meet the loss arising from a disaster or other circumstance which the Board considers would unfairly burden the employers in a particular class.
- (iii) Enhancement Reserve [Section 39 (1)(e)] which provides a reserve for payment of that portion of a disability enhanced by reason of a pre-existing disease, condition or disability.

The Board determines the amounts required to maintain these reserves at an adequate level. This "levy" is prorated to the various employer classes.

(h) Prior Years' Claims

All amounts recorded as "Provision for unfinalled claims" and as "Pension awards, capitalized values" are the actuarial estimates of the net present values of these liabilities. The calculation of net present value assumes that the annual rate of return on the Board's investments will exceed the annual increase in the Consumer Price Index (CPI) by 2½%.

Each year, benefits paid by the Board are increased in line with the CPI and the actuarial assumptions are modified to include more recent experience. These changes result in a revaluation of the actuarial estimates made in prior years.

Investment income received or receivable during the year is allocated to the fund liabilities to offset the revaluation.

The amount by which the revaluation, which includes a contingency margin in 1984, differs from investment income allocated is described in the statements as "Adjustment to prior years' actuarial estimates" and is treated as a current period item.

(i) Assessment Income and Assessments Receivable

As a significant portion of assessment income for the year is not received until after year end, the amount shown is an estimate based on statistical data. Adjustments to this estimate are made in the following year.

## Note 2 - Change in Accounting Policy

### Investments

A new accounting policy relative to the valuation of investments has been adopted. Previously, long-term investments were valued at amortized cost, utilizing the straight-line amortization basis. Realized capital gains or losses were reflected in investment income in the year of the transaction. Unrealized gains or losses were not recorded.

Long-term investments are now recorded at market value and unrealized gains and losses applied to investment income. This policy has been applied retroactively and the 1983 comparative figures restated. The effect of this change in 1984 is to increase net income and the opening balance of the unfunded liability by \$20,814,000 and \$82,800,000 respectively, and to reduce long-term investments by \$61,986,000.

## Note 3 - Deposit Accounts

Certain employers have been placed in self-insuring or deposit classes and are required to deposit with the Board a sum of money determined by the Board.

These employers are billed on a monthly basis for compensation payments and pension awards made on their behalf, together with their proportionate share of administrative costs. The Board recognizes in its accounts both the current value of the estimated future payments for unfinalled claims and the amounts relative to these unfinalled claims to be received in the future from the deposit class employers.

The Board also acts as the agent of the Government of Canada for the payment of compensation to federal employees in British Columbia. Amounts disbursed are recovered from the Government of Canada on a monthly basis.



**Note 4 - Fixed Assets (\$000's)**

Fixed assets comprise of the following items:

	1984			1983	
	Cost or Appraised Value	Depreciation	Accumulated Depreciation	Net Book Value	Net Book Value
Land	1,275	-	-	1,275	1,350
Buildings	48,183	1,272	5,807	42,376	43,713
Furniture and Equipment	11,761	1,315	7,463	4,298	5,089
Totals	61,219	2,587	13,270	47,949	50,152

Land includes an amount of \$356,000 arising from an appraisal revaluation in 1975, which is also included in "Accounts payable and accrued liabilities" on the Balance Sheet.

**Note 5 - Superannuation Fund**

The cost to the Board of its contributions to the Workers' Compensation Board Superannuation Fund for 1984 was \$4,585,200 (1983 - \$4,000,184).

An actuarial valuation of the fund's liabilities was carried out in 1982 at the request of the Trustees of the Superannuation Fund. Based on the Plan as amended and ignoring liabilities and financing for indexed supplementary pensions, the Superannuation Fund's unfunded liability as at 30 September 1982 was approximately \$24,000,000. This unfunded liability is not included in these financial statements.

Effective 1 January 1984, contributions by the Board were increased so as to fund the unfunded liability over a 25-year period.

**Note 6 - Comparative Figures**

Certain 1983 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1984, and include the correction of an underestimate, amounting to \$1,559,000, of prior year's administration expenses.

## ECKLER PARTNERS LTD.

## ACTUARY'S REPORT

The Pension Liabilities for the Accident and Silicosis Funds are for pensions in effect as at 31 December 1984, but excluding pensions arising from injuries to Federal Government workers (Class 19). The present value of increases in pensions effective 1 January 1985 has been included in the Liabilities. The Pension Liabilities have been computed using the same mortality, net interest rate and other assumptions used for the valuation as at 31 December 1983. The net interest rate of 2½% makes implicit provision for the future indexing of pensions on the assumption that interest earnings on Board assets in excess of 2½% will correspond to future increases in the Consumer Price Index.

The Unfinalled Claims Liabilities for the Accident and Silicosis Funds are shown separately for rateable Classes and for deposit Classes (excluding Class 19), and are based on projections of future claims payments and awards using ratios developed from the Board's claims experience, average benefit rates, the net interest rate assumption of 2½% and, where applicable, mortality, remarriage and other assumptions used for computing Pension Liabilities. The methods used in calculating these liabilities were substantially the same as those employed in the previous valuation as at 31 December 1983. In addition, the Board has added contingency margins to the liabilities, which result in a liability increase of \$42,767,000. These margins are included in the total liabilities shown below.

The liabilities included in this report, aside from the aforementioned margins, have been computed by the Board in accordance with methods and assumptions approved by us. We have made such tests of the calculations as were deemed necessary. We have also examined the data upon which the calculations were based and found it to be sufficient for our purposes and consistent with the Board's financial statements.

In our opinion, the amounts set out below, which have been determined by the methods and assumptions described above, make reasonable provision for the future liabilities of the Board as at 31 December 1984.

## Accident Fund

Pension Liabilities	\$1,175,601,000
Unfinalled Claims Liabilities	
- Rateable Classes	974,545,000
- Deposit Classes	69,896,000
	<b>\$2,220,042,000</b>

## Silicosis Fund

Pension Liabilities	\$ 22,425,000
Unfinalled Claims Liabilities	15,144,000
	<b>\$ 37,569,000</b>



Jacob Levi, F.S.A., F.C.I.A.  
Eckler Partners Ltd.  
Consulting Actuaries

11 March 1985

**SECTION H****TRUST FUNDS****CONTENTS**

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Teachers' Pensions Fund .....	H 22
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**PUBLIC SERVICE SUPERANNUATION FUND**

Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

---

**AUDITOR'S REPORT**

To the Superannuation Commissioner,

To the Provincial Secretary and Minister of Government Services  
Province of British Columbia, and

To the Minister of Finance:

I have examined the statement of financial position of the Public Service Superannuation Fund, a fund in the Ministry of Finance, as at 31 March 1985 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 March 1985 and the changes in its fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
9 August 1985

## PUBLIC SERVICE SUPERANNUATION FUND

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
ASSETS		
Cash in Treasury and pool investments	\$ -	\$ 11,864,192
Accounts receivable	6,100,031	4,561,834
Due from Pacific Coach Lines Ltd. Employees' Retirement Plan (Note 3)	10,350,063	-
Accrued interest on investments	53,623,368	54,508,837
Investments		
Short-term	985,809,740	779,587,659
Long-term (Note 4)	999,343,913	935,324,869
Deferred losses less gains on sale of investments (Note 5)	19,598,971	11,288,818
	<u>\$2,074,826,086</u>	<u>\$1,797,136,209</u>

## LIABILITIES AND FUND BALANCE

## LIABILITIES

Overdraft in Treasury	\$ 9,223,919	\$ -
Accounts payable and accrued liabilities	2,029,355	1,977,840
	<u>11,253,274</u>	<u>1,977,840</u>

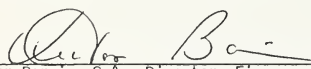
## FUND BALANCE (Exhibit B) (Note 6)

Basic Account	1,885,043,571	1,660,011,607
Inflation Adjustment Account	178,529,241	135,146,762
	<u>2,063,572,812</u>	<u>1,795,158,369</u>
	<u>\$2,074,826,086</u>	<u>\$1,797,136,209</u>

The eight accompanying notes are an integral part of these financial statements.

APPROVED BY:

  
 John W. Cook, F.C.I.A., Superannuation Commissioner

  
 Victor Barwin, C.A., Director, Finance, Superannuation Commission

## EXHIBIT B

PUBLIC SERVICE SUPERANNUATION FUND  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
FUND BALANCE INCREASED BY		
Contributions		
Employees		
Basic	\$ 52,409,457	\$ 55,453,366
Inflation adjustment	14,303,197	14,869,932
Voluntary	245,947	823,208
Military service	475,879	765,150
Reinstatement	223,198	77,652
	<hr/> 67,657,678	<hr/> 71,989,308
Employers		
Province of British Columbia		
Basic	58,506,387	61,069,568
Inflation adjustment	10,295,659	10,662,354
Other employers		
Basic	22,964,362	24,555,659
Inflation adjustment	4,008,327	4,206,149
	<hr/> 95,774,735	<hr/> 100,493,730
Transfers from other funds		
Re Pacific Coach Lines Ltd.		
Employees' Retirement Plan (Note 3)	13,519,340	-
Other	265,330	836,845
Transfers from Members of the Legislative Assembly Superannuation Account (Note 7)		
Upon grant of allowance	525,544	2,257,798
In respect of inflation adjustment supplements	119,740	32,769
Income from investments	205,667,930	171,476,124
	<hr/> 383,530,297	<hr/> 347,086,574
FUND BALANCE DECREASED BY		
Superannuation allowance payments		
Contributory	74,001,929	62,038,243
Inflation adjustment supplements (Note 6)	13,571,346	10,789,647
	<hr/> 87,573,275	<hr/> 72,827,890
Refunds	24,310,679	14,616,005
Transfers to other funds	1,288,719	333,809
Administration and actuarial expenses	1,346,338	1,448,502
Investment management fees	596,843	547,062
	<hr/> 115,115,854	<hr/> 89,773,268
NET INCREASE IN FUND BALANCE	268,414,443	257,313,306
FUND BALANCE AT BEGINNING OF YEAR	1,795,158,369	1,537,845,063
FUND BALANCE AT END OF YEAR	<hr/> \$2,063,572,812	<hr/> \$1,795,158,369

## PUBLIC SERVICE SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 1. DESCRIPTION OF THE PUBLIC SERVICE SUPERANNUATION PLAN

## a) General

Under the Pension (Public Service) Act, the Public Service Superannuation Fund is a fund in the Ministry of Finance.

The Superannuation Commissioner appointed under the Act is responsible to the Provincial Secretary and Minister of Government Services for the administration of the Act. All contributions to the Fund are deposited in the Provincial Treasury and administered by the Minister of Finance, who has invested available moneys in various short-term and long-term investments.

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. The plan is open to eligible employees of the public service and of certain crown corporations, agencies, institutions and other designated employers.

## b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service and at age 60 with a minimum of 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

Certain groups of employees are eligible for retirement benefits at an earlier age.

The plan provides a pension of 2% per year of service up to a maximum of 70% prior to age 65 of the average salary earned in the five highest earning years before retirement. At age 65, date of death or disability, there is a reduction in the formula as a result of the integration with the Canada Pension Plan (the CPP offset). Reference should be made to the plan text for a more detailed description of the benefits.

## c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit having contributed for a minimum of 10 years are entitled to a deferred pension benefit.

## d) Other Benefits

Disability and Survivor benefits are available under the plan.

## 2. SIGNIFICANT ACCOUNTING POLICIES

## a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at March 31, 1985 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the



## PUBLIC SERVICE SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 8 below.

## b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

- (i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
- (ii) Discounts on serial bonds are recognized as income when redemptions occur.
- (iii) Shares are carried at cost adjusted by 7% of the difference between cost or adjusted cost and market value.

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the investments or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

## 3. TRANSFER OF EMPLOYEES FROM PACIFIC COACH LINES LTD.

The Pension (Public Service) Act was amended and given Royal Assent May 16, 1984. The amendment provided for the Superannuation Commissioner, with the approval of the Lieutenant Governor in Council, to enter into an agreement with Pacific Coach Lines Ltd. Although the formal written agreement has not yet been signed, its major provisions have been carried out by the parties as described below.

The agreement provided for the transfer to the Public Service Superannuation Fund, the pension entitlement of persons who were in receipt of a pension under the Pacific Coach Lines Ltd. Employees' Retirement Plan. The transfer provides for the pension rights of fifty-six (56) former employees who elected deferred vested pensions and one hundred and twenty-eight (128) former employees who were receiving pension benefits as at May 1, 1984.

Monthly payments by the Fund to the eligible pensioners began in January, 1985. The liabilities for benefits assumed by the Public Service Superannuation Fund were valued in the agreement at \$13,519,340. The agreement provided for the transfer to the Fund, assets and cash in this amount from the Pacific Coach Lines Ltd. Employees' Retirement Plan and Pacific Coach Lines Ltd. on March 31, 1985. Cash in the amount of \$3,169,277 was received by the Fund on March 29, 1985. The balance amounting to \$10,350,063 shown as an accounts receivable, was received in cash and investments by June 30, 1985, the date specified in the agreement.

## 4. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1985 \$	1984 \$
Book Value	999,343,913	935,324,869
Par Value	1,062,735,257	978,124,624
Market Value	938,647,705	816,247,738

## PUBLIC SERVICE SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 4. LONG-TERM INVESTMENTS (Continued)

The par value of the long-term investments does not include shares in Canadian companies having a book value of \$17,788,330 (\$16,440,706 in 1984) and a market value of \$27,062,003 (\$25,178,048 in 1984).

The difference between the book value and the market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of plan benefits and therefore has not been provided for as at March 31, 1985.

## 5. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1985 \$	1984 \$
Balance at beginning of year	11,288,818	2,468,856
Losses less gains on sale of investments	9,575,293	8,365,416
	<u>20,864,111</u>	<u>10,834,272</u>
Amortization for the year	(1,265,140)	454,546
	<u>19,598,971</u>	<u>11,288,818</u>

## 6. FUND BALANCE

The fund balance is made up of a Basic Account and an Inflation Adjustment Account. The Inflation Adjustment Account was created in 1980 to finance the payment of cost of living supplementary allowances. These allowances are adjusted each January 1st and are related to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account includes contributions by employees and employers each at the rate of 1.25% of salary, the interest income therefrom, and the interest income on Basic Account funds attributed to the payment of pensions in excess of the rate assumed by the actuary.

The Inflation Adjustment Account is decreased by refunds to former contributors and transfers to the Basic Account of the capitalized value of supplementary allowances granted. The Basic Account consists of all other assets of the Fund.

Excess interest earnings for the year ended March 31, 1985 of \$18,390,306 (\$24,152,090 in 1984) transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Fund balances. Effective January 1, 1985, inflation adjustment supplements at the rate of 3.8% (5% in 1984) of the basic life time portion of superannuation allowances in force were granted. The capitalized value of these inflation adjustment supplements was \$17,475,744 (\$20,104,623 in 1984), which amount was transferred from the Inflation Adjustment Account to the Basic Account.

## PUBLIC SERVICE SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 7. TRANSFER FROM THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

Former Members of the Legislative Assembly who have been granted superannuation allowances are paid contributory allowances and inflation adjustment supplements from the Public Service Superannuation Fund.

A contributory allowance is financed at the time the allowance is first granted by the transfer to the Fund from the Members of the Legislative Assembly Superannuation Account (the Account) of the estimated cost of the future contributory benefits.

During the year ended March 31, 1985, 1 member (1984 - 8) was granted a superannuation allowance. The present value of this allowance was \$525,544 (\$2,257,798 in 1984) which was transferred to the Fund.

Under the Legislative Assembly Allowances and Pension Act, 1-1/4% of Members' eligible salaries and indemnities and the matching payments made on behalf of the Province are transferred once a year from the Account to the inflation adjustment account maintained in the Fund, from which the supplementary allowances are paid. Any excess of contributions received by the Account over amounts transferred to the Fund is reflected in these financial statements as an account receivable.

## 8. ACTUARIAL VALUATION

According to the Pension (Public Service) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary at least once in each consecutive period of not more than five years. The most recent valuation was carried out as at March 31, 1980. A valuation as at March 31, 1984 is presently in progress and is expected to be complete in the next fiscal year.

The valuation indicates an increase in the unfunded liability in respect of basic pension benefits from about \$197,563,000 as of March 31, 1977 to about \$631,172,000 as of March 31, 1980. The 1977 amount of \$197,563,000 would have been stated as \$234,295,000 on the current basis since the actuary has changed his assumptions to include cost-of-living increases in the basic pensions as a result of legislative changes which occurred in 1980. These increases were not included in the liability in previous valuations.

Effective April 1, 1983, revisions were made to the Pension (Public Service) Act in respect of employer funding. These changes are designed to maintain the unfunded liability as a constant percentage of total payrolls.

The liabilities of the Fund are calculated under the "entry age normal" actuarial method. The future contributions required have been determined under the "level contribution funding" method. This method expresses employer contributions as a constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for all new entrants to the plan to the extent that the unfunded liability is maintained as a constant percentage of future payrolls.

## MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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### AUDITOR'S REPORT

To the Superannuation Commissioner,

To the Provincial Secretary and Minister of Government Services  
Province of British Columbia, and

To the Minister of Finance:

I have examined the statement of financial position of the Members of the Legislative Assembly Superannuation Account, an account in the Ministry of Finance, as at 31 March 1985 and the statement of changes in account balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Account as at 31 March 1985 and the changes in the account balance for the year then ended in accordance with the stated accounting policies as set out in note 3 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
12 July 1985

## EXHIBIT A

## MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

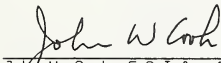
## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
ASSETS		
Cash in Treasury and pool investments (Note 3)	\$ -	\$ 37,359
Accounts receivable	8,069	-
Accrued interest on investments	95,310	128,529
Investments		
Short-term	2,325,208	2,043,463
Long-term (Note 4)	1,101,031	1,100,528
	<u>\$ 3,529,618</u>	<u>\$ 3,309,879</u>
LIABILITIES AND ACCOUNT BALANCE		
LIABILITIES		
Overdraft in Treasury	\$ 106,115	\$ -
Due to Public Service Superannuation Fund (Note 5)	119,740	95,503
Accounts payable	-	6,920
	<u>225,855</u>	<u>102,423</u>
ACCOUNT BALANCE (Exhibit B)		
Balance at end of year	<u>3,303,763</u>	<u>3,207,456</u>
	<u>\$ 3,529,618</u>	<u>\$ 3,309,879</u>

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A., Superannuation Commissioner



Victor Barwin, C.A., Director, Finance, Superannuation Commission

EXHIBIT B

## MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

## STATEMENT OF CHANGES IN ACCOUNT BALANCE

FOR THE YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
ACCOUNT BALANCE INCREASED BY:		
Contributions:		
Members of the Legislative Assembly:		
Regular	\$ 176,799	\$ 180,369
Province of British Columbia:		
Regular	239,445	243,892
Deficiency payments on contributory allowances granted	-	1,022,661
	<u>239,445</u>	<u>1,266,553</u>
Income from investments	<u>329,590</u>	<u>319,531</u>
	<u>745,834</u>	<u>1,766,453</u>
ACCOUNT BALANCE DECREASED BY:		
Amounts transferable to Public Service Superannuation Fund:		
Upon grant of contributory allowances (Note 5)	525,544	2,257,798
In respect of inflation adjustment supplements (Note 5)	119,740	32,769
Refunds of Members' contributions	<u>4,244</u>	<u>62,476</u>
	<u>649,528</u>	<u>2,353,043</u>
NET INCREASE (DECREASE) IN ACCOUNT BALANCE	<u>96,306</u>	<u>(586,590)</u>
ACCOUNT BALANCE AT BEGINNING OF YEAR	<u>3,207,457</u>	<u>3,794,047</u>
ACCOUNT BALANCE AT END OF YEAR (Exhibit A)	<u><u>\$ 3,303,763</u></u>	<u><u>\$ 3,207,457</u></u>

## MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 1. DESCRIPTION OF THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

Under Part 2 of the Legislative Assembly Allowances and Pension Act, the Members of the Legislative Assembly Superannuation Account is an account in the Ministry of Finance of the Province of British Columbia.

The Account receives contributions from the Crown in right of the Province as the employer and from participating members who are elected Members of the Legislative Assembly. All contributions to the Account are deposited in the Provincial Treasury and administered by the Minister of Finance, who has invested available monies in various short-term and long-term investments. Interest earned on fund assets is also paid to the Account.

When a contributor is granted an allowance, the amount of money calculated as that required to finance his or her future contributory pension benefits is transferred to the Public Service Superannuation Fund and monthly allowances are paid from that Fund. Any deficiency in the present value of allowances granted over the amounts available in the Account is provided for by the Province.

## 2. BENEFITS AVAILABLE UNDER THE PLAN

## a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to all members of the legislative assembly.

## b) Retirement Benefits

A member is entitled to a pension allowance upon ceasing to be a member after having served 7 years or for more than two parliaments and having attained the age of 55 years or having attained an age plus years of service as a member totalling 60 or more years.

For pensions granted on or after January 1, 1985 the plan provides a pension allowance of 5% per year of service up to a maximum of 80% of the average legislative allowance, and special allowance and/or ministerial salary earned in the highest four years of service as a member and as a minister or specified office holder. Pensions granted prior to January 1, 1985 are based on 4% per year of service up to a maximum of 72% of qualifying salaries and allowances. Reference should be made to the plan text for a more detailed description of the benefits.

## c) Termination Benefits

A member who ceases to be a member may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Former members leaving contributions on deposit are entitled, if otherwise eligible, to a deferred pension allowance benefit.

## d) Other Benefits

Survivor benefits are available under the plan.

## MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 3. SIGNIFICANT ACCOUNTING POLICIES

## a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Account as at March 31, 1985 and the changes in Account balance for the year then ended and do not purport to show the adequacy of the Account to meet the obligations of the superannuation plan.

## b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

- (i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the terms of the bonds.
- (ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

## 4. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1985 \$	1984 \$
Book Value	1,101,031	1,100,528
Par Value	1,106,000	1,106,000
Market Value	882,103	812,670

The difference between the book value and market value of the investments is not considered to be a permanent reduction of the Account balance available for payment of plan benefits and therefore has not been provided for as at March 31, 1985.

## 5. PAYMENT OF SUPERANNUATION ALLOWANCES

Former Members of the Legislative Assembly who have been granted superannuation allowances are paid contributory allowances and inflation adjustment supplements from the Public Service Superannuation Fund.

During the year ended March 31, 1985, 1 member (1984 - 8) was granted a superannuation allowance. The present value of this allowance was \$525,544 (\$2,257,798 in 1984) which was transferred to the Public Service Superannuation Fund.



## MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION ACCOUNT

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 5. PAYMENT OF SUPERANNUATION ALLOWANCES (Continued)

Under the Legislative Assembly Allowances and Pension Act, 1-1/4% of members' eligible salaries and indemnities and the matching payments made by the Province are transferred once a year from the Account to the inflation adjustment account maintained in the Public Service Superannuation Fund, from which the supplementary allowances are paid. Any excess of contributions received over amounts transferred is reflected in these financial statements as an amount due to the Public Service Superannuation Fund.

## 6. ACTUARIAL VALUATION

No actuarial valuation of the Account is required by the Legislative Assembly Allowances and Pension Act and no such valuation has been performed to date.

## MUNICIPAL SUPERANNUATION FUND



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

---

### AUDITOR'S REPORT

To the Commissioner of Municipal Superannuation Fund, and

To the Provincial Secretary and Minister of Government Services  
Province of British Columbia:

I have examined the statement of financial position of the Municipal Superannuation Fund as at 31 December 1984 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 December 1984 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
28 June 1985

## EXHIBIT A

MUNICIPAL SUPERANNUATION FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
ASSETS		
Cash	\$ 1,472,042	\$ 9,344,302
Contributions receivable	15,897,329	19,002,759
Accrued interest on investments	45,529,630	45,575,786
Investments		
Short-term	788,551,114	547,808,738
Long-term (Note 3)	1,131,357,636	1,091,906,066
Deferred losses less gains on sale of investments (Note 4)	20,370,195	3,160,835
	<u>\$2,003,177,946</u>	<u>\$1,716,798,486</u>

## LIABILITIES AND FUND BALANCE

## LIABILITIES

Accounts payable	\$ 2,220,113	\$ 2,397,203
FUND BALANCE (Exhibit B) (Note 5)		
Basic account	1,774,600,196	1,536,893,800
Retirement annuity account	72,090,460	66,400,465
Inflation adjustment account	154,267,177	111,107,018
	<u>2,000,957,833</u>	<u>1,714,401,283</u>
	<u>\$2,003,177,946</u>	<u>\$1,716,798,486</u>

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

  
John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee


  
Victor Barwin, C.A., Director, Finance, Superannuation Commission

EXHIBIT B

## MUNICIPAL SUPERANNUATION FUND

## STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
FUND BALANCE INCREASED BY:		
Contributions:		
Employees:		
Basic	\$ 85,482,808	\$ 84,316,194
Inflation adjustment	15,931,890	15,462,992
Voluntary, special agreement and arrears	2,479,158	2,463,174
Purchase of service	153,686	31,806
Leave of absence	21,842	18,467
Reinstatement	72,585	138,328
	<u>104,141,969</u>	<u>102,430,961</u>
Employers:		
Current service	84,098,299	82,853,908
Inflation adjustment	15,930,809	15,463,154
Past service	427,083	1,707,028
Purchase of service, special agreement and arrears	3,119,148	3,022,887
Leave of absence	14,750	30,093
	<u>103,590,089</u>	<u>103,077,070</u>
Transfers from other funds	337,341	191,215
Income from investments	189,505,432	158,054,278
	<u>397,574,831</u>	<u>363,753,524</u>
FUND BALANCE DECREASED BY:		
Superannuation allowance payments:		
Contributory	72,845,705	63,608,415
Inflation adjustment supplements (Note 5)	14,030,280	10,954,734
Special agreement supplementary allowances	229,565	215,911
Less reimbursement by former employers	(94,548)	(111,918)
	<u>87,011,002</u>	<u>74,667,142</u>
Refunds	20,375,667	14,912,614
Transfers to other funds	223,688	48,997
Pensioners' medical premiums - matching portion	1,120,744	962,656
Actuarial and administration expenses	1,711,496	1,684,855
Investment management fees	575,685	524,489
	<u>111,018,282</u>	<u>92,800,753</u>
NET INCREASE IN FUND BALANCE	286,556,549	270,952,771
FUND BALANCE AT BEGINNING OF YEAR	1,714,401,284	1,443,448,512
FUND BALANCE AT END OF YEAR (Exhibit A)	<u>\$2,000,957,833</u>	<u>\$1,714,401,283</u>

## MUNICIPAL SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

## 1. DESCRIPTION OF THE MUNICIPAL SUPERANNUATION PLAN

## a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to eligible employees of a municipality, hospital, school district, regional college or other employer to which the Pension (Municipal) Act applies.

## b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service and at age 65 with less than 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

Certain groups of employees are eligible for retirement benefits at an earlier age. Hospital employees must have a minimum of 10 years contributory service to be eligible for a pension benefit.

The plan provides a pension of 2% per year of service prior to age 65 up to a maximum of 70% of the average salary earned in the five highest earning years before retirement. At age 65, date of death, or disability there is a reduction in the formula as a result of the integration with the Canada Pension Plan. Reference should be made to the plan text for a more detailed description of the benefits.

## c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit for a minimum of 10 years are entitled to a deferred pension benefit if they have completed a minimum of 10 years contributory service.

## d) Other Benefits

Disability and Survivor benefits are available under the plan.

## 2. SIGNIFICANT ACCOUNTING POLICIES

## a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1984 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 6.

MUNICIPAL SUPERANNUATION FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

- (i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
- (ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposition of long-term bonds are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds or twenty years. The amortization is included in income from investments.

Short-term investments are carried at cost of acquisition.

3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1984 \$	1983 \$
Book Value	1,131,357,636	1,091,906,066
Par Value	1,187,031,953	1,153,969,453
Market Value	1,001,653,848	940,891,268

The difference between the book value and market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of plan benefits and therefore has not been provided for as at December 31, 1984.

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1984 \$	1983 \$
Balance at beginning of year	3,160,835	835,385
Losses less gains on sale of investments	17,851,652	2,281,288
	<u>21,012,487</u>	<u>3,116,673</u>
Amortization for the year	(642,292)	44,162
Balance at end of year	<u><u>20,370,195</u></u>	<u><u>3,160,835</u></u>

MUNICIPAL SUPERANNUATION FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

5. FUND BALANCE

The Fund balance is made up of a Basic Account, a Retirement Annuity Account and an Inflation Adjustment Account. The Inflation Adjustment Account was created in 1980 to finance the payment of cost of living supplementary allowances. These allowances are adjusted each January 1st and are related to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account includes contributions by employees and employers each at the rate of 1% of salary, the interest income therefrom and the interest income on funds attributed to the payment of pensions in excess of the rate assumed by the actuary.

The Inflation Adjustment Account is decreased by refunds to former contributors and transfers to the Basic Account of the capitalized value of supplementary allowances granted.

Excess interest earnings for 1984 of \$24,700,986 (\$27,837,520 in 1983) transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Fund balances. Effective January 1, 1985, inflation adjustment supplements at the rate of 3.8% (5.0% in 1984) of the basic lifetime portion of pensions in payment were granted. The capitalized value of these inflation adjustment supplements was \$21,957,247 (\$21,428,474 in 1984), which amount was transferred from the Inflation Adjustment Account to the Basic Account.

6. ACTUARIAL VALUATION

According to the Pension (Municipal) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary from time to time at intervals of not more than five years. The most recent valuation was carried out as at December 31, 1982. The actuary advised at that time the unfunded liability would be \$700,454,000 for basic pension benefits. This represents an increase of \$293,182,000 since December 31, 1979. The Actuary also stated that he did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners or to the financial health of the plan.

The liabilities of the Fund are calculated under the "entry age normal" actuarial method. The future contributions required have been determined under the "level contribution funding" method. This method expresses employer contributions as the constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for all new entrants to the plan to the extent that the unfunded liability is maintained as a constant percentage of future payrolls.

## TEACHERS' PENSIONS FUND



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

---

### AUDITOR'S REPORT

To the Commissioner of Teachers' Pensions, and

To the Provincial Secretary and Minister of Government Services  
Province of British Columbia:

I have examined the statement of financial position of the Teachers' Pensions Fund as at 31 December 1984 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 December 1984 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
8 May 1985



TEACHERS' PENSIONS FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 1984

EXHIBIT A

	<u>1984</u>	<u>1983</u>
ASSETS		
Cash	\$ 1,609,031	\$ 12,581,025
Contributions receivable	6,714,129	8,547,800
Accrued interest on investments	36,282,851	35,184,401
Investments		
Short-term	612,125,143	423,350,136
Long-term (Note 3)	854,617,669	823,993,337
Deferred losses less gains on sale of investments (Note 4)	16,888,870	2,660,842
	<u>\$1,528,237,693</u>	<u>\$1,306,317,541</u>

LIABILITIES AND FUND BALANCE

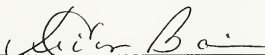
LIABILITIES

Accounts payable	\$ 1,173,188	\$ 1,302,272
FUND BALANCE (Exhibit B) (Note 5)		
Basic account	1,411,044,422	1,220,836,636
Inflation adjustment account	116,020,083	84,178,633
	<u>1,527,064,505</u>	<u>1,305,015,269</u>
	<u>\$1,528,237,693</u>	<u>\$1,306,317,541</u>

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

  
\_\_\_\_\_  
John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee

  
\_\_\_\_\_  
Victor Barwin, C.A., Director, Finance, Superannuation Commission

TEACHERS' PENSIONS FUND  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
FUND BALANCE INCREASED BY:		
Contributions:		
Employees:		
Basic	\$ 58,228,334	\$ 57,115,938
Inflation adjustment	10,192,973	10,027,718
Voluntary	53,201	50,362
Reinstatement	268,150	188,768
Leave of absence	92,639	199,150
Military or other service	231,421	376,023
	<hr/> 69,066,718	<hr/> 67,957,959
Employers:		
Paid by the Province of British Columbia on behalf of school districts:		
Basic	85,578,590	83,855,852
Inflation adjustment	10,163,547	9,995,996
Recognition of service	231,421	376,023
Contributions paid by other employers:		
Basic	255,192	280,176
Inflation adjustment	29,426	31,722
	<hr/> 96,258,176	<hr/> 94,539,769
Transfers from other funds	451,123	477,141
Income from investments	147,807,567	122,017,937
	<hr/> 313,583,584	<hr/> 284,992,806
FUND BALANCE DECREASED BY:		
Superannuation allowance payments:		
Contributory	69,641,139	61,703,636
Inflation adjustment supplements (Note 5)	14,929,314	11,721,720
	<hr/> 84,570,453	<hr/> 73,425,356
Refunds	5,443,274	4,413,054
Transfers to other funds	181,806	305,623
Actuarial and administration expenses	828,870	847,233
Investment management fees	509,945	497,077
	<hr/> 91,534,348	<hr/> 79,488,343
NET INCREASE IN FUND BALANCE	222,049,236	205,504,463
FUND BALANCE AT BEGINNING OF YEAR	1,305,015,269	1,099,510,806
FUND BALANCE AT END OF YEAR (Exhibit A)	<hr/> <u>\$1,527,064,505</u>	<hr/> <u>\$1,305,015,269</u>

TEACHERS' PENSIONS FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

1. DESCRIPTION OF THE TEACHERS' PENSIONS PLAN

a) General

The plan is a defined benefit pension plan, whereby benefits are not linked directly to contributions. The plan is open to all certificated teachers and to superintendents or assistant superintendents appointed by a board of school trustees in the British Columbia public school system.

b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service and at age 60 with a minimum of 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service.

The plan provides a pension of 2% per year of service prior to age 65 up to a maximum of 70% of the average salary earned in the five highest earning years before retirement. At age 65, date of death, or disability there is a reduction in the formula as a result of the integration with the Canada Pension Plan. Reference should be made to the plan text for a more detailed description of the benefits.

c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit are entitled to a deferred pension benefit if they have completed a minimum of 10 years contributory service.

d) Other Benefits

Disability and Survivor benefits are available under the plan.

2. SIGNIFICANT ACCOUNTING POLICIES

a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1984 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

TEACHERS' PENSIONS FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

- (i) Discounts and premiums on single maturity bonds are amortized over the remaining terms of the bonds.
- (ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposition of long-term bonds are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1984	1983
	<u>\$</u>	<u>\$</u>
Book Value	854,617,669	823,993,337
Par Value	918,919,560	860,809,280
Market Value	759,814,347	711,656,351

The difference between the book value and market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of plan benefits and therefore has not been provided for as at December 31, 1984.

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1984	1983
	<u>\$</u>	<u>\$</u>
Balance at beginning of year	2,660,842	1,350,449
Losses less gains on sale of investments	14,742,346	1,317,748
	17,403,188	2,668,197
Amortization for the year	514,318	7,355
Balance at end of year	<u>16,888,870</u>	<u>2,660,842</u>

TEACHERS' PENSIONS FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

5. FUND BALANCE

The Fund balance is made up of a Basic Account and an Inflation Adjustment Account. The Inflation Adjustment Account was created in 1980 to finance the payment of cost of living supplementary allowances. These allowances are adjusted each January 1st and are related to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account includes contributions by employees and employers each at the rate of 1% of salary, the interest income therefrom and the interest income on funds attributed to the payment of pensions in excess of the rate assumed by the actuary. The Inflation Adjustment Account is decreased by refunds to former contributors and transfers to the Basic Account of the capitalized value of supplementary allowances granted. The Basic Account consists of all other assets of the Fund.

Excess interest earnings for 1984 amounting to \$27,261,839 (\$30,471,688 in 1983) transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Fund balances. Effective January 1, 1985 inflation adjustment supplements at the rate of 3.8% (5.0% effective January 1, 1984) of the basic life time portion of superannuation allowances in force were granted. The capitalized value of these inflation adjustment supplements was \$18,288,150 (\$21,054,195 in 1984), which amount was transferred from the Inflation Adjustment Account to the Basic Account.

6. ACTUARIAL VALUATION

According to the Pension (Teachers) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary from time to time at intervals of not more than five years. The most recent valuation was carried out as at December 31, 1980. The actuary advised at that time, the unfunded liability would be \$1,019,270,000 for basic pension benefits. This liability includes the capitalized value of pension indexing costs granted up to and including January 1, 1981 which were not previously included in the valuations. This represents an increase of \$471,670,000 since December 31, 1977. The actuary stated that the plan "funded ratio" had decreased, but explained that this was due mainly to the inclusion of indexing costs for the first time and a change in the method of valuing assets. The actuary also stated that he did not see the increase in the unfunded liability as a threat to the continued payment of pensions to current and prospective pensioners nor to the financial health of the pension fund.

TEACHERS' PENSIONS FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

6. ACTUARIAL VALUATION (Continued)

The liabilities of the Fund are calculated under the "entry age normal" actuarial method. The future contributions required have been determined under the "level contribution funding" method. This method expresses employer contributions as the constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for all new entrants to the plan to the extent that the unfunded liability is maintained as a constant percentage of future payrolls.

**COLLEGE PENSION FUND**

Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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**AUDITOR'S REPORT**

To the Superannuation Commissioner, Trustee and

To the Provincial Secretary and Minister of Government Services  
Province of British Columbia

I have examined the statement of financial position of the College Pension Fund as at 31 August 1984 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 August 1984 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "Erma Morrison".

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
21 December 1984

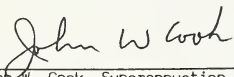
EXHIBIT A


COLLEGE PENSION FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT AUGUST 31, 1984

	<u>1984</u>	<u>1983</u>
A S S E T S		
Cash	\$ 1,247,544	\$ 2,027,352
Contributions receivable	1,161,448	975,826
Accrued interest on investments	3,718,193	4,021,377
Investments		
Short-term	76,197,800	49,409,003
Long-term (Note 3)	37,420,728	42,406,632
Deferred losses less gains on sale of investments (Note 4)	597,877	387,052
	<u>\$ 120,343,590</u>	<u>\$ 99,227,242</u>
LIABILITY AND FUND BALANCE		
LIABILITY		
Accounts payable	\$ 74,462	\$ 73,993
FUND BALANCE (Exhibit B) (Note 5)		
Basic account	110,799,299	92,338,601
Inflation adjustment account	9,469,829	6,814,648
	<u>120,269,128</u>	<u>99,153,249</u>
	<u>\$ 120,343,590</u>	<u>\$ 99,227,242</u>

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

  
\_\_\_\_\_  
John W. Cook, Superannuation Commissioner, Trustee

  
\_\_\_\_\_  
Victor Barwin, C.A., Comptroller, Superannuation Commission



## EXHIBIT B

COLLEGE PENSION FUND  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED AUGUST 31, 1984

	<u>1984</u>	<u>1983</u>
FUND BALANCE INCREASED BY:		
Contributions:		
Employees:		
Basic	\$ 5,377,231	\$ 5,420,182
Inflation adjustment	1,025,780	1,018,995
Voluntary	2,640	3,140
Arrears	50,552	14,785
	<hr/> 6,456,203	<hr/> 6,457,102
Employers:		
Basic	5,377,231	5,420,182
Inflation adjustment	1,025,780	1,018,995
Arrears	50,552	10,263
	<hr/> 6,453,563	<hr/> 6,449,440
Transfers from other funds	28,364	45,663
Income from investments	10,846,059	9,597,167
	<hr/> 23,784,189	<hr/> 22,549,372
FUND BALANCE DECREASED BY:		
Superannuation allowance payments:		
Contributory	1,343,982	1,082,801
Inflation adjustment supplements (Note 5)	226,478	154,718
	<hr/> 1,570,460	<hr/> 1,237,519
Refunds	923,789	341,346
Transfers to other funds	-	23,357
Pensioners' medical premiums - matching portion	18,122	14,360
Administration and actuarial expenses	81,362	113,901
Investment management services	74,577	107,306
	<hr/> 2,668,310	<hr/> 1,837,789
NET INCREASE IN FUND BALANCE	21,115,879	20,711,583
FUND BALANCE AT BEGINNING OF YEAR	99,153,249	78,441,666
FUND BALANCE AT END OF YEAR (Exhibit A)	<hr/> <hr/> \$ 120,269,128	<hr/> <hr/> \$ 99,153,249

## COLLEGE PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 1984

## 1. DESCRIPTION OF THE COLLEGE PENSION PLAN

## a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. The plan is open to full-time faculty members of a college or college council in British Columbia, other faculty members whose application has been approved by the employer, and full-time senior administrative employees who are required by the employer to become a contributor. Full-time faculty members may apply within one month of date of appointment to be exempted from contributing to the plan.

## b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service, at age 60 with a minimum of 10 years contributory service and at age 65 with less than 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service, and at age 60 with less than 10 years contributory service.

The plan provides a pension of 2% per year of service up to a maximum of 70% prior to age 65 of the average salary earned in the five highest earning years before retirement. At age 65, date of death or disability, there is a reduction in the formula as a result of the integration with the Canada Pension Plan (the CPP offset). Reference should be made to the plan text for a more detailed description of the benefits.

## c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit are entitled to a deferred pension benefit.

## d) Other Benefits

Disability and Survivor benefits are available under the plan.

## 2. SIGNIFICANT ACCOUNTING POLICIES

## a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at August 31, 1984 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.

## b) Investment Valuation

Long-term investments have terms in excess of one year and include bonds issued or guaranteed by Canada or a Province. They are carried at cost of acquisition adjusted as follows:

- (i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the terms of the bonds.
- (ii) Discounts on serial bonds are recognized as income when redemptions occur.

COLLEGE PENSION FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 1984

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses on disposal of long-term bonds are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds or twenty years. The amortization is included in income from investments.

Short-term investments consist of deposits with chartered banks and other approved financial institutions and are carried at cost of acquisition.

3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	<u>1984</u> \$	<u>1983</u> \$
Book Value	37,420,728	42,406,632
Par Value	37,919,000	42,879,548
Market Value	29,866,709	35,068,466

The difference between the book value and the market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of pension benefits and therefore has not been provided for as at August 31, 1984, since it is generally expected that Fund investments will be held to maturity.

4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	<u>1984</u>	<u>1983</u>
Balance at beginning of year	\$ 387,052	\$ 408,354
Losses less gains on sale of investments	<u>216,310</u>	<u>-</u>
	603,362	408,354
Amortization for the year	<u>5,485</u>	<u>21,302</u>
Balance at end of year	<u>\$ 597,877</u>	<u>\$ 387,052</u>

5. FUND BALANCE

The Fund balance is made up of a Basic Account and an Inflation Adjustment Account. The Inflation Adjustment Account was created in 1980 to finance the payment of inflation adjustment supplementary allowances. These allowances are adjusted each January 1st and are related to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account includes contributions by employees and employers each at the rate of 1% of salary, the interest income therefrom, and the interest income on Basic Account funds attributed to the payment of pensions in excess of the rate assumed by the actuary. The Inflation Adjustment Account is decreased by refunds to former contributors and transfers to the Basic Account of the capitalized value of supplementary allowances granted. The Basic Account consists of all other assets of the Fund.

## COLLEGE PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 1984

## 5. FUND BALANCE (Continued)

For the year ended August 31, 1984 excess interest earnings of \$358,206, (\$834,733 in 1983), were transferred from the Basic Account to the Inflation Adjustment Account. Effective January 1, 1984, supplementary allowances at the rate of 5% (10.355% in 1983) of the basic life time portion of pensions in payment were granted. The capitalized value of these increases in 1984 was \$402,326, (\$532,599 in 1983), which amount was transferred from the Inflation Adjustment Account to the Basic Account.

## 6. ACTUARIAL VALUATION

According to the Pension (College) Act, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary upon request by the Superannuation Commissioner.

The most recent valuation was carried out as at August 31, 1981. The valuation indicated an unfunded liability in respect of basic pension benefits of approximately \$45,422,000 as of August 31, 1981, compared to \$12,290,000 as of August 31, 1976, the date of the previous valuation. The increase in the unfunded liability was caused mainly by inadequacies in the statutory contribution rates, combined with growth in the covered membership and actual salary increases greater than those assumed by the Actuary in the previous valuation. Liabilities of the fund are calculated under the "entry age normal" actuarial method, applied on an aggregate basis.

The actuary did not see the increase of \$33,132,000 in the unfunded liability as a threat to the continued payment of benefits to current or prospective pensioners nor to the financial health of the pension fund provided his recommendations to raise statutory contribution rates by adopting the level contribution funding method were adopted. Level contribution funding expresses employer contributions as the constant percentage of future payrolls that, together with future employee contributions and investment earnings, will finance the benefits for all new entrants to the plan to the extent that the unfunded liability is maintained as a constant percentage of future payrolls.

The government is in the process of determining the method of funding best suited to the current needs of the plan. Any change in the plan requires statutory amendment.

The key actuarial assumptions made in the valuation may be tabulated as follows -

Salary growth	-	5-1/2% per annum
Interest on fund assets	-	6-1/2% per annum
Mortality - active employees	-	1971 Group Annuity Mortality table -
		Males      55%
		Females    70%
- other retired	-	Progressive Annuity table
		rated down for -
		Males      1 year
		Females    2 years
Withdrawal	-	Graduated select experience, using a
		three year select period -
		Males      100%
		Females    90%
		Ultimate experience rates reduced to
		that used for inactive employees -
		Males      125%
		Females    100%
Retirement	-	Graduated observed experience based
Retirement age	-	on 1976-81 experience
		55 - 65

**BC RAIL LTD. PENSION FUND**  
**(formerly British Columbia Railway Company Pension Fund)**



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

---

**AUDITOR'S REPORT**

To the Directors, B. C. Rail Ltd., and

To the Provincial Secretary and Minister of Government Services  
Province of British Columbia:

I have examined the statement of financial position of the B. C. Rail Ltd. Pension Fund (formerly the British Columbia Railway Company Pension Fund) as at 31 December 1984 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 December 1984 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 3 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading 'Erma Morrison'.

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
19 March 1985

EXHIBIT A

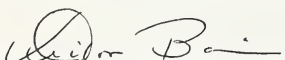
BC RAIL LTD. PENSION FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
ASSETS		
Cash	\$ 457,810	\$ -
Contributions receivable	1,158,374	996,671
Accrued interest on investments	2,878,684	2,386,052
Investments		
Short-term	54,258,643	39,942,838
Long-term (Note 4)	61,221,667	57,302,389
Deferred losses less gains, on sale of investments (Note 5)	501,918	381,176
	<u>\$ 120,477,096</u>	<u>\$ 101,009,126</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Bank overdraft	\$ -	\$ 581,994
Accounts payable	21,461	18,688
Due to BC Rail Ltd. (Note 6)	1,486,425	-
	<u>1,507,886</u>	<u>600,682</u>
FUND BALANCE (Exhibit B)		
Pension fund basic account	118,594,993	100,120,975
Employee voluntary contributions account	374,217	287,469
	<u>118,969,210</u>	<u>100,408,444</u>
	<u>\$120,477,096</u>	<u>\$ 101,009,126</u>

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

  
John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee

  
Victor Barwin, C.A., Director, Finance, Superannuation Commission

## EXHIBIT B

BC RAIL LTD. PENSION FUND  
STATEMENT OF CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
FUND BALANCE INCREASED BY:		
Employee contributions		
Regular and arrears	\$ 4,196,709	\$ 3,893,497
Voluntary	72,161	42,033
	<hr/> 4,268,870	<hr/> 3,935,530
Employer contributions		
Current	5,086,611	5,481,003
Amortization of unfunded liability (Note 6)	405,000	972,000
	<hr/> 5,491,611	<hr/> 6,453,003
Income from investments	11,219,760	9,405,163
	<hr/> 20,980,241	<hr/> 19,793,696
FUND BALANCE DECREASED BY:		
Pension payments	1,624,794	1,408,297
Refunds	720,950	773,970
Investment management fees	73,731	63,610
	<hr/> 2,419,475	<hr/> 2,245,877
NET INCREASE IN FUND BALANCE	18,560,766	17,547,819
FUND BALANCE AT BEGINNING OF YEAR	100,408,444	82,860,625
FUND BALANCE AT END OF YEAR (Exhibit A)	<hr/> <hr/> \$ 118,969,210	<hr/> <hr/> \$ 100,408,444

## BC RAIL LTD. PENSION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

## 1. STATUS OF THE PENSION FUND

Effective June 19, 1984, the BC Rail Ltd. assumed the responsibility for the British Columbia Railway Company Pension Plan. All employees of the British Columbia Railway Company were transferred to BC Rail Ltd. during 1984 or on January 1, 1985 and continued their membership in the plan without interruption.

## 2. DESCRIPTION OF THE BC RAIL LTD. PENSION PLAN

## a) General

The plan is a defined benefit pension plan, whereby benefits are not directly linked to contributions. All eligible employees are required to enrol.

## b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 60 or later with a minimum of 25 years contributory service or at age 65. Reduced pensions are available between age 55 and 65 with a minimum of 10 years of contributory service.

The plan provides a pension of 2% per year of service prior to age 65 up to a maximum of 70% of the average salary earned in the five highest earning years of any period of 10 consecutive years. At age 65 there is a reduction in the formula as a result of the integration with the Canada Pension Plan. Reference should be made to the plan text for a more detailed description of the benefits.

## c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit having contributed to the fund for a minimum of 10 years are entitled to a deferred pension benefit.

## d) Other Benefits

Disability and Survivor benefits are available under the plan.

## 3. SIGNIFICANT ACCOUNTING POLICIES

## a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1984 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 6 below.



BC RAIL LTD. PENSION FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

- (i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the terms of the bonds.
- (ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposal of long-term bonds are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

4. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1984	1983
	<u>\$</u>	<u>\$</u>
Book value	61,221,667	57,302,389
Par Value	62,743,000	58,887,000
Market value	54,426,288	50,037,770

The difference between the book value and market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of pension benefits and therefore has not been provided for as at December 31, 1984, since it is generally expected that Fund investments will be held to maturity.

5. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	<u>1984</u>	<u>1983</u>
Balance at beginning of year	\$ 381,176	\$ 447,233
Losses (gains) on sale of investments	<u>117,525</u> 498,701	<u>(46,268)</u> 400,965
Amortization for the year	<u>3,217</u>	<u>(19,789)</u>
Balance at end of year	<u><u>\$ 501,918</u></u>	<u><u>\$ 381,176</u></u>

BC RAIL LTD. PENSION FUND  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1984

6. ACTUARIAL VALUATION

According to the articles of the BC Rail Ltd. Pension Plan, an actuarial valuation of the assets and liabilities of the Fund is required to be made by an Actuary every three years. A valuation was carried out as at May 31, 1984. The valuation disclosed that the Fund had a funding excess of \$7,983,000 (\$8,557,000 unfunded liability - 1981 valuation).

Among the factors contributing to the change from the unfunded liability to the funding excess were experience gains due primarily to improved investment performance and lower than expected salary and pension increases. Application of the maximum benefit rule and removal of the fluctuation reserve for asset valuation also contributed to this improvement. Offsetting these factors has been the adoption of more conservative economic assumptions used in the actuarial valuation.

Liabilities of the Fund are calculated under the "attained age" actuarial cost method.

On the Actuary's recommendation, BC Rail Ltd. is matching employee contributions from June 1984 to the date of the next actuarial valuation. Amounts remitted by the employer during the period from June 1984 to December 1984 exceeded the contributions subsequently calculated as due by \$1,486,425. This amount is shown in these financial statements as an amount due to BC Rail Ltd.

## BRITISH COLUMBIA HYDRO AND POWER AUTHORITY PENSION FUND



1075 West Georgia Street  
Vancouver, British Columbia V6E 3G1  
(604) 682-4711 Telex 04-507740

April 25, 1985

## AUDITORS' REPORT

Superannuation Commissioner,  
Province of British Columbia:

We have examined the balance sheet of the British Columbia Hydro and Power Authority Pension Fund as at December 31, 1984 and the statement of changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The Minister of Finance of the Province of British Columbia has confirmed to us that the securities representing the Fund's investments were held for safekeeping by him as at December 31, 1984.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1984 and the changes in fund balance for the year then ended in accordance with the provisions of the Plan and generally accepted accounting principles consistently applied.

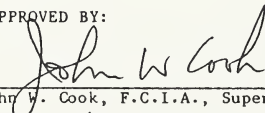
Chartered Accountants


BRITISH COLUMBIA HYDRO AND POWER AUTHORITY  
PENSION FUND

## BALANCE SHEET

	December 31 1984	1983
ASSETS		
Cash	\$ 4,545,324	\$ 2,180,255
Contributions receivable	1,192,067	1,373,516
Accrued interest	12,663,664	10,981,740
Investments:		
Short-term (Note 3)	174,631,870	122,038,974
Long-term (Note 4)	286,681,665	285,013,517
	<u>\$479,714,590</u>	<u>\$421,588,002</u>
LIABILITIES AND FUND BALANCE		
Accounts payable:		
Administration and investment management expenses	\$ 365,376	\$ 205,989
Pensions	90,279	90,547
	455,655	296,536
Deferred income	220,656	853,230
Fund balance:		
Pension account - amount available for payment of pensions in effect	149,318,593	121,744,325
Compulsory contributions account	136,400,431	121,681,810
Additional voluntary contributions account	1,652,826	1,400,370
Employer matching contributions account	136,400,431	121,681,810
Index pension account	32,475,409	27,627,499
Index reserve account	15,128,950	7,064,437
Reserve account	7,661,639	19,237,985
	<u>479,038,279</u>	<u>420,438,236</u>
	<u>\$479,714,590</u>	<u>\$421,588,002</u>

APPROVED BY:

  
 John W. Cook, F.C.I.A., Superannuation Commissioner

  
 Victor Barwin, C.A., Comptroller

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY  
PENSION FUND

STATEMENT OF CHANGES IN FUND BALANCE

	<u>Year ended December 31</u>	
	<u>1984</u>	<u>1983</u>
Fund balance increased by:		
Employee contributions-		
Basic pension	\$ 13,239,895	\$ 14,111,422
Indexed pension	3,444,379	3,671,565
Additional voluntary	714,241	519,382
Employer matching contributions-		
Basic pension	13,239,895	14,111,422
Indexed pension	3,444,379	3,671,565
Voluntary contributions transferred under clause 12	59,640	29,521
Payment by B.C. Hydro in respect of-		
Actuarial deficiency (Note 5)	3,061,000	3,061,000
Indexed pensions additional (Note 6)	1,194,248	1,194,248
Payment by Metro Transit Operating Company for indexing costs	564,475	527,555
Payment by Pacific Coach Lines in respect of indexing payments for P.C.L. pensioners (Note 7)	1,645,659	-
Payment by B.C. Railway Company in respect of pensions to seconded employees	-	147,223
Transfers from other funds	17,074	232,318
Interest on investments	47,872,198	40,927,368
	<u>88,497,083</u>	<u>82,204,589</u>
Fund balance decreased by:		
Basic pension payments	16,652,914	13,475,578
Indexed pension payments	5,321,954	4,698,627
Employee contributions refunded	4,105,890	2,385,666
Separation of passenger transportation employees (Note 7)	3,455,515	-
Transfers to other funds	36,471	40,788
Administration, investment management and audit expenses	324,296	376,999
	<u>29,897,040</u>	<u>20,977,658</u>
Increase in fund balance	58,600,043	61,226,931
Fund balance at beginning of year	<u>420,438,236</u>	<u>359,211,305</u>
Fund balance at end of year	<u><u>\$479,038,279</u></u>	<u><u>\$420,438,236</u></u>

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY  
PENSION FUND

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1984

1. Financial statements:

The accompanying financial statements show only the position of the Fund as at December 31, 1984 and the changes in fund balance for the year then ended. They do not purport to show the adequacy of the fund to meet the obligations of the Plan.

2. Significant accounting policies:

- (a) Gains and losses on sale of long-term investments are deferred and amortized to income on a straight-line basis over the lesser of the remaining term of the investments disposed of or twenty years.
- (b) Premiums and discounts on the purchase of long-term investments are amortized to income on a straight-line basis over the remaining term of the investments.

3. Short-term investments:

Short-term investments are recorded at cost, and comprise deposits with and notes of banks and other financial institutions which mature within twelve months from December 31, 1984. Interest accrued on these investments is included in the caption accrued interest on the balance sheet at December 31, 1984.

4. Long-term investments:

	<u>1984</u>	<u>1983</u>
At cost, after amortization	\$286,681,665	\$285,013,517
Par value	\$294,228,000	\$293,461,000
Market value	\$255,283,808	\$251,826,382
Excess of cost over market value	\$ 31,397,857	\$ 33,187,135

As there is no permanent impairment in the value of the investments, and the intention is to hold the investments until maturity when they will be redeemed at par, the reduction in market value of \$31,397,857 is not provided for as at December 31, 1984.

## 5. Actuarial valuation:

A summary actuarial report available, dated April 25, 1985, indicated an accrued actuarial deficit in the plan as at December 31, 1984, including the liability resulting from pension indexing referred to in Note 6, of approximately \$29,000,000 (December 31, 1983 - \$44,000,000). B.C. Hydro is funding the deficit by annual payments of \$4,255,000 to March 31, 1997 and \$3,061,000 per annum thereafter to March 31, 2000.

## 6. Indexed pension:

Indexing payments to pensioners are funded by specific compulsory employer and employee contributions each at the rate of 1.6% of plan earnings and a certain portion of interest earned in excess of actuarial expectations. Supplements are added annually on each January 1. Each supplement is equal to the increase in the consumer price index, but will be limited to a lesser amount if the funds available are insufficient to provide the full amount. As at January 1, 1985 funds were available to provide the full amount of the consumer price index increase of 3.797% over the period October 1, 1983 to September 30, 1984.

B.C. Hydro has assumed responsibility for the liabilities resulting from the previous indexing formula, which amounted to approximately \$15,500,000. This amount is being funded by a payment of \$4,710,000 made in March 1982 and, as referred to in Note 5, subsequent payments of \$1,194,000 annually until 1997.

## 7. Separation of passenger transportation employees:

Urban passenger transportation services were transferred from British Columbia Hydro and Power Authority to Metro Transit Operating Company as of April 1, 1980. Previously, interurban passenger transportation services were transferred to Pacific Coach Lines Limited.

Transfer of assets in the amount of \$24,672,189 in respect of Metro Transit Operating Company employees was completed in May 1982.

In respect of Pacific Coach Lines Limited employees, \$2,118,398 book value of investments (\$2,127,000 par value) were transferred in partial settlement of the \$3,455,515 transfer amount as at March 31, 1984. The balance in cash including interest was transferred on August 15, 1984. Immediately prior to this partial settlement, Pacific Coach Lines Limited transferred \$1,645,659 cash to the Fund in respect of past and future indexing payments made by the Fund in respect of certain pensioners.

## 8. Comparative figures:

Certain comparative figures for 1983 on the balance sheet and the statement of changes in fund balance have been reclassified to conform with the financial statement presentation adopted in 1984. These changes have no effect on the fund balance or net increase in fund balance for 1983.

**BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND**

Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

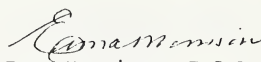
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**AUDITOR'S REPORT**

To the Directors, British Columbia Hydro and Power Authority, and  
To the Provincial Secretary and Minister of Government Services  
Province of British Columbia:

I have examined the statement of financial position of the British Columbia Power Commission Superannuation Fund as at 31 December 1984 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 December 1984 and the changes in the fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

  
Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
21 March 1985



## EXHIBIT A

## BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

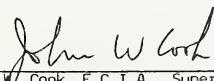
## STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
ASSETS		
Cash	\$ 733,886	\$ 367,769
Contributions receivable	16,294	8,024
Accrued interest on investments	727,699	608,500
Investments		
Short-term	5,600,000	5,200,000
Long-term (Note 3)	21,594,327	21,873,497
Deferred losses on sale of investments, (Note 4)	260,571	22,267
	<u>\$ 28,932,777</u>	<u>\$ 28,080,057</u>
LIABILITY AND FUND BALANCE		
LIABILITY		
Accounts payable	\$ 16,686	\$ 77,781
FUND BALANCE (Exhibit B)		
Contributory pensions account	10,042,925	9,232,436
Special reserve account (Note 5)	129,971	129,971
Undistributed interest account	9,196,856	8,177,857
Members and employees contributory account	4,632,560	5,070,610
Members and employees voluntary account	278,889	318,462
Employer contributory account	4,632,560	5,070,610
Unclaimed monies account	2,330	2,330
	<u>28,916,091</u>	<u>28,002,276</u>
	<u>\$ 28,932,777</u>	<u>\$ 28,080,057</u>

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:

  
 John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee

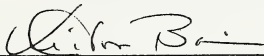
  
 Victor Barwin, C.A., Director, Finance, Superannuation Commission

EXHIBIT B

## BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

## STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
FUND BALANCE INCREASED BY:		
Employee regular contributions	\$ 15,623	\$ 17,167
Employer matching contributions	15,623	17,167
Income from investments	2,444,211	2,390,426
	<u>2,475,457</u>	<u>2,424,760</u>
FUND BALANCE DECREASED BY:		
Superannuation allowance payments:		
Contributory	1,040,947	954,535
Cost of living supplements	441,087	387,961
Refunds	48,153	16,207
Transfers to other funds	12,085	61,303
Administration expenses	10,539	12,644
Investment management fees	8,831	10,313
	<u>1,561,642</u>	<u>1,442,963</u>
NET INCREASE IN FUND BALANCE	913,815	981,797
FUND BALANCE AT BEGINNING OF YEAR	<u>28,002,276</u>	<u>27,020,479</u>
FUND BALANCE AT END OF YEAR (Exhibit A)	<u>\$ 28,916,091</u>	<u>\$ 28,002,276</u>

## BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

## 1. DESCRIPTION OF THE BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION PLAN

## a) General

The plan is a defined benefit plan, whereby benefits are not directly linked to contributions, except that certain benefit options are calculated by reference to the "money purchase" tables. All members of the plan are former employees of the British Columbia Power Commission, which became a part of British Columbia Hydro and Power Authority at its inception in 1963. Most members have deferred pension rights, as they now contribute to the British Columbia Hydro and Power Authority Pension Fund.

## b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 50 and the sum of the member's age and years of service is not less than 65.

The "half to the widow" plan benefit option is calculated on the 2% formula, while guarantee and joint life options are calculated on the money purchase formula.

The 2% formula is based on 2% per year of service up to a maximum of 70% of the average salary earned in any consecutive period of 10 years during which the salary was highest. There is a reduction in the formula pension at age 65 as a result of the integration with the Canada Pension Plan.

The money purchase plan is based on the total amount of the member's contributions, the matching employer contributions, plus the accumulated interest on these contributions.

Reference should be made to the plan text for a more detailed description of the benefits.

## c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit having contributed to the fund for a minimum of ten years are entitled to a deferred pension benefit.

## d) Other Benefits

Disability and Survivor benefits are available under the plan.

## 2. SIGNIFICANT ACCOUNTING POLICIES

## a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at December 31, 1984 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the pension plan. The results of the latest actuarial valuation of the plan are described in Note 5 below.

## BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

- (i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the terms of the bonds.
- (ii) Discounts on serial bonds are recognized as income when redemptions occur.

Gains and losses on disposition of long-term bonds are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds or twenty years. The amortization is included in income from investments.

Short-term investments are carried at cost of acquisition.

## 3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	<u>1984</u>	<u>1983</u>
	<u>\$</u>	<u>\$</u>
Book Value	21,594,327	21,873,497
Par Value	21,797,600	22,111,000
Market Value	17,284,755	17,045,996

The difference between the book value and market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of pension benefits and therefore has not been provided for as at December 31, 1984, since it is generally expected that Fund investments will be held to maturity.

## 4. DEFERRED LOSSES ON SALE OF INVESTMENTS

	<u>1984</u>	<u>1983</u>
Balance at beginning of year	\$ 22,267	\$ -
Losses on sale of investments	<u>246,404</u>	<u>24,887</u>
	268,671	24,887
Amortization for the year	<u>8,100</u>	<u>2,620</u>
Balance at end of year	<u>\$ 260,571</u>	<u>\$ 22,267</u>

## BRITISH COLUMBIA POWER COMMISSION SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1984

## 5. ACTUARIAL VALUATION

According to the regulations applicable to the Fund, an actuarial valuation of the sufficiency of the Special Reserve Account of the Fund is to be made by an Actuary every three years. The most recent valuation was carried out as at December 31, 1981. According to this valuation the consulting actuaries concluded that there were then no employees who were expected to benefit from the Special Reserve. They recommended that the Special Reserve Account, then amounting to \$151,479 be reduced to nil. During 1983 an amount of \$21,508 was charged to the Special Reserve. No further action has been taken upon the consulting actuaries' recommendation.

The key actuarial assumptions made in the valuation may be tabulated as follows -

Salary growth	-	5 1/2% per annum
Interest on fund assets	-	7 1/2% per annum
Mortality - all members	-	1949 Annuity Table (Projected 10 years)
Retirement age	-	63

## 6. ESTIMATED PRESENT VALUE OF PENSIONS IN FORCE

Pursuant to Regulation No. 6 of the British Columbia Hydro and Power Authority Act, the Commission has estimated the present value of the 444 pensions in force as at December 31, 1984 (403 - 1983) at \$13,655,000, (\$12,300,000 - 1983). This comprises \$9,740,000 (\$8,800,000 - 1983) with respect to the basic component and \$3,915,000 (\$3,500,000 - 1983) with respect to the supplementary allowances which are charged when paid, to the Undistributed Interest Account.

## WORKERS' COMPENSATION BOARD SUPERANNUATION FUND



Province of  
British Columbia

Office of the  
Auditor General  
Province of British Columbia

8 Bastion Square  
Victoria  
British Columbia  
V8V 1X4

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### AUDITOR'S REPORT

To the Commissioners, Workers' Compensation Board, and

To the Provincial Secretary and Minister of Government Services  
Province of British Columbia:

I have examined the statement of financial position of the Workers' Compensation Board Superannuation Fund as at 31 March 1985 and the statement of changes in fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at 31 March 1985 and the changes in its fund balance for the year then ended in accordance with the stated accounting policies as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading 'Erma Morrison'.

Erma Morrison, F.C.A.  
Auditor General

Victoria, British Columbia  
28 June 1985

## EXHIBIT A

## WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
A S S E T S		
Cash	\$ 572,427	\$ 463,026
Accrued interest on investments	2,558,875	1,857,392
Investments		
Short-term	5,120,000	-
Long-term (Note 3)	56,180,430	52,384,526
Deferred losses less gains on sale of investments (Note 4)	843,269	-
	<u>\$ 65,275,001</u>	<u>\$ 54,704,944</u>

## LIABILITIES AND FUND BALANCE

## LIABILITIES

Accounts payable	\$ 26,128	\$ 13,299
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## FUND BALANCE (Exhibit B) (Note 5)

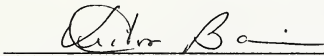
Basic account	60,861,849	52,155,541
Inflation adjustment account	4,387,024	2,536,104
	<u>65,248,873</u>	<u>54,691,645</u>
	<u>\$ 65,275,001</u>	<u>\$ 54,704,944</u>

The six accompanying notes are an integral part of these financial statements.

APPROVED BY:



John W. Cook, F.C.I.A., Superannuation Commissioner, Trustee



Victor Barwin, C.A., Director, Finance, Superannuation Commission

## WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

## STATEMENT OF CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 1985

	<u>1985</u>	<u>1984</u>
FUND BALANCE INCREASED BY:		
Contributions		
Member and employee		
Regular	\$ 2,471,042	\$ 2,540,858
Inflation adjustment	476,358	493,569
Voluntary	4,898	3,509
	<u>2,952,298</u>	<u>3,037,936</u>
Employer		
Regular	2,937,879	2,659,058
Inflation adjustment	476,358	493,569
Additional Board contributions (Note 6)	1,090,860	1,020,968
	<u>4,505,097</u>	<u>4,173,595</u>
Transfers from other funds	17,553	44,798
Income from investments	<u>6,841,286</u>	<u>5,496,721</u>
	<u>14,316,234</u>	<u>12,753,050</u>
FUND BALANCE DECREASED BY:		
Superannuation allowance payments		
Contributory	2,708,457	2,269,575
Inflation adjustment supplements (Note 5)	123,174	24,732
Refunds	926,971	369,376
Transfers to other funds	403	-
	<u>3,759,005</u>	<u>2,663,683</u>
NET INCREASE IN FUND BALANCE	10,557,229	10,089,367
FUND BALANCE AT BEGINNING OF YEAR	<u>54,691,645</u>	<u>44,602,278</u>
FUND BALANCE AT END OF YEAR (Exhibit A)	<u>\$ 65,248,874</u>	<u>\$ 54,691,645</u>



## WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 1. DESCRIPTION OF THE WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN

## a) General

The plan is a defined benefit plan, whereby benefits are not directly linked to contributions. The plan is open to all eligible employees and Board members of the Workers' Compensation Board.

## b) Retirement Benefits

Members are eligible for unreduced benefits if they retire at age 55 with a minimum of 35 years contributory service and at age 60 with a minimum of 10 years contributory service. Reduced pensions are available at age 55 with a minimum of 10 years contributory service.

The plan provides a pension of 2% per year of service prior to age 65 up to a maximum of 70% of the average salary earned in the five highest earning years before retirement. At age 65, date of death or disability there is a reduction in the formula as a result of the integration with the Canada Pension Plan. Reference should be made to the plan text for a more detailed description of the benefits.

## c) Termination Benefits

A terminating employee may choose between leaving accumulated contributions on deposit or obtaining a refund. The refund includes interest credited. Employees leaving contributions on deposit are entitled to a deferred pension benefit if they have completed a minimum of 10 years contributory service.

## d) Other Benefits

Disability and Survivor benefits are available under the plan.

## 2. SIGNIFICANT ACCOUNTING POLICIES

## a) General Information

These financial statements have been prepared on the accrual basis of accounting. They show only the position of the Fund as at March 31, 1985 and the changes in Fund balance for the year then ended and do not purport to show the adequacy of the Fund to meet the obligations of the superannuation plan. The results of the latest actuarial valuation of the plan are described in Note 6.

## b) Investment Valuation

Long-term investments are those purchased with a term in excess of one year. They are carried at cost of acquisition adjusted as follows:

- (i) Discounts and premiums on single maturity bonds are amortized on a straight line basis over the remaining terms of the bonds.
- (ii) Discounts on serial bonds are recognized as income when redemptions occur.

## WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gains and losses on disposal of long-term investments are deferred and amortized on a straight line basis over the lesser of the remaining terms of the bonds or twenty years. The amortization is charged against income from investments.

Short-term investments are carried at cost of acquisition.

## 3. LONG-TERM INVESTMENTS

Long-term investments held at the end of the year are as follows:

	1985 \$	1984 \$
Book Value	56,180,430	52,384,526
Par Value	57,672,500	53,898,200
Market Value	56,590,654	48,014,872

The difference between the book value and market value of the investments is not considered to be a permanent reduction of the Fund balance available for payment of plan benefits and therefore has not been provided for as at March 31, 1985.

## 4. DEFERRED LOSSES LESS GAINS ON SALE OF INVESTMENTS

	1985 \$
Balance at beginning of year	-
Losses less gains on sale of investments	917,377
	917,377
Amortization for the year	74,108
Balance at end of year	843,269

## 5. FUND BALANCE

The Fund Balance is made up of a Basic Account and an Inflation Adjustment Account. Payment of supplementary allowances, adjusted quarterly in relation to the cost of living index, commenced July 1, 1975. The last quarterly increase was granted January 1, 1983. Effective January 1, 1984, these cost-of-living supplementary allowances were consolidated with contributory pensions and were replaced by inflation adjustment supplements to be paid from the Inflation Adjustment Account. These supplements are adjusted each January 1st in relation to the annual increase in the Consumer Price Index as at each previous September 30th, but may be limited by the availability of funds in the Inflation Adjustment Account to provide the capitalized value of the increases.

The Inflation Adjustment Account was created October 1, 1982 and includes contributions by employees and the employer each at the rate of 1% of salary, the interest income earned therefrom, and interest income

## WORKERS' COMPENSATION BOARD SUPERANNUATION FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1985

## 5. FUND BALANCE (Continued)

on Basic Account funds attributed to the payment of pensions in excess of the rate assumed by the actuary. The Inflation Adjustment Account is decreased by refunds to former contributors and transfers to the Basic Account of the capitalized value of inflation adjustment supplements granted. The Basic Account consists of all other assets of the Fund.

Excess interest earnings for the year ended March 31, 1985 amounting to \$1,342,916 (\$905,211 in 1984) transferable from the Basic Account to the Inflation Adjustment Account are reflected in the Fund balances. Effective January 1, 1985, inflation adjustment supplements at the rate of 3.8% (5.0% effective January 1, 1984) of the basic lifetime portion of superannuation allowances in force were granted. The capitalized value of these inflation adjustment supplements was \$581,503 (\$667,060 in 1984), which amount was transferred from the Inflation Adjustment Account to the Basic Account.

## 6. ACTUARIAL VALUATION

According to the Workers' Compensation Board Superannuation Plan Regulations, an actuarial valuation of the assets and liabilities of the Plan is required to be made by an Actuary from time to time at intervals of not more than three years. The most recent valuation was carried out as at September 30, 1982. This valuation indicated an unfunded liability of approximately \$24,361,000 with respect to the present value of pension benefits earned to the valuation date. This represents a decrease of \$11,987,000 since the previous valuation as at March 31, 1981. Among the factors contributing to this net decrease in the unfunded liability were amendments to the pension plan that discontinued automatic future pension indexing and a change in the method of valuing assets - reducing the unfunded liability by \$22,657,000 and \$6,436,000 respectively - and a change in the method of valuing future pension liabilities by use of the "entry age normal" actuarial method instead of the "unit credit" method - increasing the liability by \$4,823,000.

The Workers' Compensation Board is making additional contributions so as to fund the unfunded liability over a twenty-five year period.

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